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FINANCIAL TIMES

Table with exchange rates for various countries including Austria, Belgium, Canada, etc.

No.30,754

Friday January 27 1989

D 8523A

World News Business Summary

Moscow announces Chernobyl clean-up

Soviet Politburo announced a new campaign to cope with the consequences of the Chernobyl nuclear disaster, nearly three years after the event, suggesting that evidence of radiation may have been found. Page 18

New Soviet tremor

A new tremor struck the Central Asian republic Tajikistan near villages left as common graves for hundreds of people killed by a quake and mudslide. No loss of life was reported.

Arafat in Madrid

Palestine Liberation Organisation Chairman Yasser Arafat arrived in Madrid to meet the foreign ministers of Spain, France and Greece. The EC hopes to send a signal to the US and Israel on the urgent need for a Middle East peace conference. Page 2

Israeli raids

Israeli troops killed one Palestinian and critically wounded another as Arab residents fled raids on West Bank villages. Troops also bulldozed four houses and blew up another in the occupied territories.

Hostage reports

Diplomatic moves by the Irish and Iranian Governments were underway yesterday, as hopes rose for the release of two more hostages held in Lebanon. Page 4

Afghan attacks

Moslem rebels said they were stepping up attacks on Afghanistan's second city Kandahar, because Soviets were airlifting arms and ammunition to help sagging government forces. Mine clearing. Page 4

Chan refuses writ

Former South Korean President Chun Doo-hwan refused to accept a writ to testify before a committee on the suppression of a 1980 uprising that left over 200 people dead.

Malaysia detentions

Malaysian authorities released two leading opposition lawmakers and three other politicians it had held without trial for 15 months. Page 4

Peru rescue effort

Fire and poisonous fumes in a collapsed Peruvian gold mine slowed efforts by rescuers to find amateur miners trapped for more than five days.

Duarte rejection

San Salvador President Jose Napoleon Duarte rejected an electoral proposal by leftist rebels, calling it an unconstitutional proposal for war.

Taba sovereignty

Egypt said it would declare sovereignty over the Israeli-held Red Sea resort of Taba on Sunday when a deadline for its return expires.

Polish priest funeral

Thousands of Poles had an emotional farewell to murdered Roman Catholic priest Father Stefan Mioduskiak. Solidarity leaders stayed away from the funeral as they prepared for talks with the government. Page 2

Calvi verdict

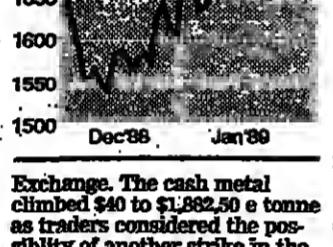
Italian judges have ruled that Roberto Calvi, Banco Ambrosiano chairman found hanged in 1982 from a bridge in London, did not commit suicide, but was murdered. Page 2

BP takes an option to buy stake in Petromed

BRITISH Petroleum has taken an option to acquire between 8 and 15 per cent of Spanish petroleum refiner (Petróleo del Mediterraneo SA), the two companies said.

Pierre Berezdovoy, French Finance Minister, ordered the stock exchange regulatory to investigate possible insider trading in the shares of Societe Generale, the privatised bank. Page 2

ZINC



Exchange. The cash metal climbed \$40 to \$1,882.50 a tonne as traders considered the possibility of another strike in the Peruvian mining industry. Commodities, Page 30

CROSS-COUNTRY ferry services run by Sealink, British carrier, and two Dutch and French carriers are being examined under EC rules against anti-competitive agreements, the European Commission said. Page 2

PHILIPS DODGE, biggest US copper producer, increased its underlying net profits by 62 per cent in the fourth quarter and more than doubled profits in 1988 due in part to higher copper prices. Page 20, Commodities, Page 30

GENENTECH, world's leading specialised biotechnology company, recorded a loss of \$15.4m in the December quarter because of disappointing sales of Activase, the new heart drug. Page 20

VOLKSWAGEN, West German motor group, has appointed Mr William Young as head of its US operation, Volkswagen of America. Page 22

LONDON Stock Exchange and accountancy profession sent out conflicting messages on accounting for intangible assets. Page 7

FALCONBRIDGE, Toronto metals group, and Cominco, Vancouver resources concern, have reported record fourth-quarter profits spurred by higher metal prices and buoyant markets. Page 22

COFENHAGEN'S bond and futures and options markets will be brought together on a single screen today, as Denmark takes another step towards a full electronic market. Page 24, Stock Markets, Page 42

KOOR INDUSTRIES, Middle East's largest industrial group, had its immediate financial worries alleviated by an Israeli court's approval of the sale of its 24.3 per cent holding in Tava, a large pharmaceuticals company. Page 2

CHICAGO Mercantile Exchange set up a panel to look into trading rules in the wake of FBI investigations into fraud at Chicago's futures exchanges. Page 3

INTERNATIONAL BUSINESS Communications (Holdings) reached a settlement on "strictly confidential terms" with one institutional shareholder in Barham Group who had challenged IBC's refusal to reopen the cash terms of its successful takeover of Barham in 1987. Page 29

Rail tunnels planned to ease London traffic

By Kevin Brown, Transport Correspondent, in London

A \$3.5bn (£2.95bn) package to ease congestion in London by building two new underground railways has been proposed by a Government study of the capital's transport problems. The plan calls for new east-west and north-south links, costing around £2bn, and a £1.5bn improvement programme for existing lines. The study was ordered by Mr Paul Channon, the Transport Secretary, last summer. The proposals are intended to relieve severe overcrowding and delays caused by a 23 per cent increase in passenger demand on London's Under-

ground and British Rail services since 1980. There have been growing concerns over safety in the London transport system following the recent death of 31 in a fire at Kings Cross underground station and 34 in a British Rail collision at Clapham Junction during the morning rush hour. However, the Government is not committed to proceeding with the proposals and no decisions have yet been made on how it would be financed should it proceed. The report recommends two alternative packages to increase capacity, each involving the construction of two new lines. The report says further detailed work on the physical specifications for the lines is needed before a decision on a preferred option can be made. However, the Transport Department said there were no insuperable technical problems. Mr Channon said he hoped British Rail or London Underground would table a private



Bush will visit China to 'reaffirm relations'

By Lionel Barber in Washington

PRESIDENT George Bush will meet Chinese leaders next month during a two-day trip to Peking after attending the funeral of Emperor Hirohito in Japan, the White House said yesterday. Mr Bush's visit to Peking on February 25 and February 26 was designed to "reaffirm relations between the United States and China," said Mr Marlin Fitzwater, the White House spokesman. "The President has very close ties with China, having served there and having made two trips to China as vice president," he said.

leader. The new Administration has said a renewal of high-level talks must await a strategic review of US-Soviet policy, discussions with the US Nato allies, and talks between Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, Soviet Foreign Minister. "The President is on a deliberate track of meeting with officials as the opportunity arises. He has often said he will be prepared to meet with President Gorbachev when the

time is right," Mr Fitzwater explained. He added that he did not know if Moscow had been alerted. There was speculation in Washington yesterday that Mr Bush may have decided to pre-empt Mr Gorbachev's efforts to improve relations with the Chinese Communist leadership after 30 years of hostility. Among the likely issues on the agenda in the two days of talks are China's role in promoting a regional peace settlement in Kampuchea, trade relations including US curbs on high-technology exports, Taiwan, and the need to curb the proliferation of intermediate-range missiles in the Persian Gulf. China last year sold such missiles to Saudi Arabia, triggering US protests. Mr Fitzwater suggested more stops could follow the two days in Peking: "It's clearly in an expanding mode... this is not the final parameters of the trip."

Boskin says US should aim for budget surplus

By Peter Riddell, US Editor, in Washington

THE US economy can combine a likely growth rate of 3 per cent with a "substantial" decline in short term interest rates this year, Professor Michael Boskin predicted yesterday in his first official comments as chairman designate of the President's Council of Economic Advisors. During his confirmation testimony to the Senate Banking Committee, Professor Boskin stressed that his projection depended on a "serious reduction in the budget deficit being agreed early in the year." He said the aim should be to move not only into budget balance over the next four years, but then to a surplus so as to boost US net savings.

While the professor carefully avoided any public disagreement in emphasis from those made recently by Mr Alan Greenspan, chairman of the US Federal Reserve, on the implications of sustaining recent rates of economic growth. He argued that it was possible to reconcile the growth forecast with lower interest rates only with agreement on a package to reduce the budget deficit and in the light of recent actions by the Federal Reserve demonstrating resolve against inflation. Professor Boskin said that the growth rate of Gross National Product was likely to slow slightly anyway between 1988 and 1989 - from slightly over to slightly under 3 per cent on a year-on-year basis - if the impact of last year's drought was excluded from the estimates. He suggested that confusion has arisen because of the attention given to the fourth quar-

Toyota favours UK site for European car plant

By Kevin Done, Motor Industry Correspondent, in London

TOYOTA, Japan's leading car maker, favours the UK as the location for its first West European car assembly plant. The project will be one of the biggest Japanese inward investments in West Europe and signals the start of the next wave of the Japanese attack on the European car market in the 1990s. In a statement to be released in Tokyo this morning, Toyota is expected to confirm its plans to build a car assembly plant on a "greenfield" site in West Europe, most probably in the UK. A final decision is expected by the end of the year. Toyota plans to invest around \$600m in a plant to build some 200,000 cars a year. The plant will eventually create some 3,000 jobs.

Mr Margaret Thatcher, the British Prime Minister, said the House of Commons yesterday that the UK was "the lead country of Europe's choice". She assured MPs that Toyota would be welcomed in the UK and that the Government would "work closely" with the company and consider any application for state aid. Lord Young, the UK Secretary of State for Trade and Industry, said in a written parliamentary answer that the UK was "the lead candidate for the project." It is understood that the statement had been agreed in advance with the company. Lord Young said he had told Toyota that the company would receive a "warm welcome from the Government" if it decided to build a plant in the UK. Toyota had been invited to "work closely" with the Department of Trade and Industry in pursuing its feasibility studies. He said that

Toyota's plans were based on a country producing up to 200,000 cars a year. The cars would have a local (European Community) content level which would eventually rise to 80 per cent after a transitional period. The disclosure that the UK is the favoured candidate for the Toyota car plant will provoke fierce reactions from some other EC member states and leading European car makers. In the absence of an EC ruling it is understood that the UK would insist on a similar arrangement for Toyota to the agreement reached with Nissan in the mid-1980s. This stipulates that Nissan's UK-built cars are considered as EC products when they reach 60 per cent local content, but that they must reach 80 per cent local within about two years.

British Steel in Klöckner talks

By Nick Garnett in London and Haig Simonian in Frankfurt

BRITISH STEEL is one of a number of companies talking to Deutsche Bank about the possible purchase of all or part of Klöckner & Co, the big West German trading group with steel interests, which the bank rescued last year. The UK company, which was privatised in December after 20 years in the public sector, said yesterday that Deutsche Bank had approached it, along with other companies, "in its search for an alternative long-term investor" in Klöckner. British Steel was "considering the position". The German group has an 18 per cent stake in Klöckner-Werke, the steel-maker, planters and machinery company which also markets most of the steel made by Klöckner-Werke. Klöckner & Co announced in October that it was in trouble, having accumulated losses of up to DM700m (£330.4m) through trading in the oil futures market.

Other companies interested in at least part of Klöckner & Co are thought to include Fiat, the Italian vehicle and industrial group. Mr Herbert Giesow, chief executive of Klöckner-Werke, said a takeover by any competing steel producer would cause "extraordinary disruption" to the trading links between his company and the group as a whole. Lex, Page 18; Background, Page 19.

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THE PETERBOROUGH EFFECT advertisement with large text and sub-headers.

Venezuelan U-turn on loans expected

By Stephen Fisher, Euromarkets Correspondent

VENEZUELA'S incoming administration, in a marked shift of strategy, is planning an economic programme which could obtain rapid approval from the International Monetary Fund and clear the way for loans from the Fund and the World Bank, according to international bankers.

The country's foreign bank creditors are being told that the programme will be announced by Mr Carlos Andrés Pérez shortly after his inauguration on February 2.

If announced as expected, the programme will mark an about-turn in the country's approach to international economic management. In the past, the Venezuelan Government has been implacably opposed to an IMF-sponsored package.

Mr Pérez has been viewed abroad as a populist on the debt issue. His officials have been talking with the IMF on the proposed package, but it could well be presented as a Venezuelan initiative which meets IMF approval.

Members of Venezuela's bank advisory committee were meeting yesterday in New York and were briefed on the new plan by Venezuelan officials, including Mr Edgar Leal, the new debt negotiator.

"It's a conventional, orthodox plan and they should be able to move ahead very quickly with a letter of intent from the IMF," said one senior banker in New York. An IMF programme would clear the way for a rescheduling and new funds from the commercial banks, requests for which were being strongly resisted last year.

Any programme which would obtain IMF approval could be expected to lead to reductions in the public sector deficit, changes to interest rates, a freeing of restrictions on the private sector, and tar-

Pemex may lay off 40,000 workers

By Richard Johns in Mexico City

AS MANY as 40,000 workers - or nearly 20 per cent of its labour force - may be laid off by Petroleos Mexicanos (Pemex) as a result of a restructuring programme, according to reports in Mexico City.

Pemex had no immediate comment on the report in the newspaper *El Financiero*, which said manpower cuts would save 3,000bn pesos (1730m) in the wage bill of the corporation, which in international terms is grossly overmanned, partly because of the power of the oil workers' union.

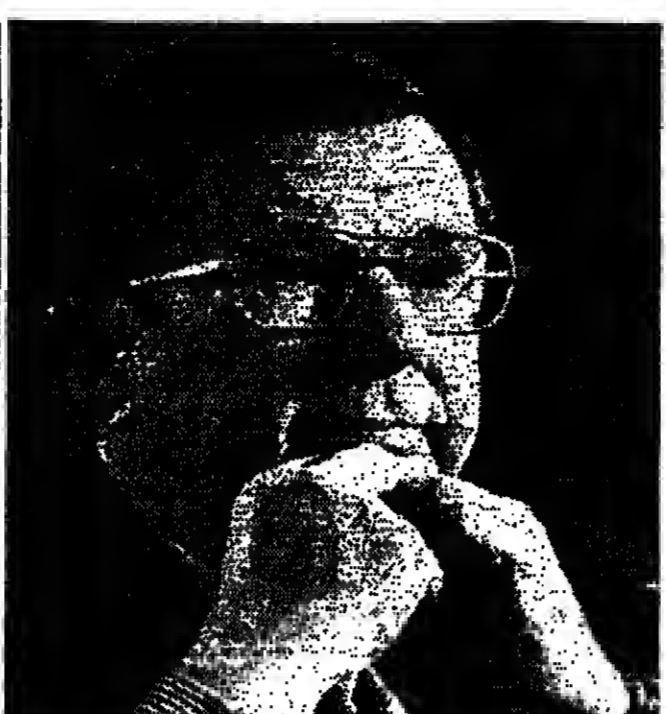
The report this month of Mr Joaquín Hernández Galicia, spiritual leader of the Oil Workers of the Mexican Revolution, and 48 of his top colleagues could eventually open the way for a radical re-organisation. On Wednesday, the Attorney-General said Mr Hernández, known as La Quina, had been accused of ordering the murder in 1983 of Mr Oscar Torres Pancardo, who was secretary-general of one of the union's sections.

The killing is said to have been carried out by Mr Ramon Vazquez Mata, alias El Gavilán, an associate who was arrested recently in Monterrey with five tonnes of marijuana, and by another associate.

A recent survey of 50 oil companies worldwide showed Pemex to be bottom of the league in earnings per employee at \$73,000 compared with \$187,000 for Petroleos de Venezuela, a comparable state oil corporation with a smaller output of crude oil.

According to *El Financiero*, the plan involves a reduction from 210,157 workers (including those not on the permanent establishment) to 170,157.

From 1982, the proportion of Pemex spending accounted for by wages and salaries rose from 5.7 per cent to 11.6 per cent, more than double, though the total employed increased by only a third.



MR John Tower, President George Bush's choice as Secretary of Defence, faced tough questions yesterday about the ties to US defence contractors which earned him more than \$750,000 (\$420,000) in two years, writes Lionel Barber in Washington.

Appearing before the Senate Armed Services committee reviewing his nomination, Mr Tower, formerly a Texas Republican senator, conceded that there was a "perception problem" but said he would bend over backwards not to favour his former employers.

Mr Tower worked as a consultant to Martin Marietta, LTV Aerospace, Rockwell, Textron and the US civil aviation sales subsidiary of British Aerospace after resigning as US negotiator in the strategic arms reduction talks in Geneva in 1986.

The Senate is expected to confirm Mr Tower, though doubts remain about his management skills, his ties to the defence industry and his earlier strong advocacy of the \$2,000bn military build-up under President Reagan.

Some critics have suggested that the controversy surrounding his selection will inevitably weaken his standing in the Bush cabinet and make it more difficult for him to win support for the inevitable battle over defence spending in a new era of austerity.

Mr Tower, who chaired the Senate Armed Services committee between 1981 and 1985, said he expected to tighten rules governing defence consultants working for the Pentagon.

The new rules would probably force consultants to register if they were working for the Pentagon and other big contractors.

Mr Tower said that if he was confirmed as Defence Secretary, he would withdraw from any discussions on whether to disbar any of his former defence contractors as a result of the procurement scandal.

CHICAGO FRAUD INVESTIGATION Mercantile body joins probe

By Deborah Hargreaves in Chicago

IN THE wake of the big FBI investigation into fraud at Chicago's futures exchanges, the Chicago Mercantile Exchange has set up a panel to look into its trading rules.

The panel, which comprises prominent futures industry figures including Ms Susan Phillips, former chairman of the industry's regulatory body, will look at all transaction rules and procedures.

Exchange officials admit that trading abuses do occur among the CME's several thousand members and say the panel will recommend structural improvements to enhance trading practices.

"There will be no sacred cows," said Mr Leo Melamed, chairman of the CME's executive committee, who expects the nine-member panel to make its suggestions in two to three months time.

The CME's announcement came as subpoenaed traders began testifying before a grand jury, in the widest inquiry into the futures industry ever launched in the US. More subpoenas were handed out yesterday in what one trader called a "subpoena derby".

Traders believe the FBI left two "moles" on the exchange

involved in the attack was the All for the Fatherland Movement, a group that has made headlines recently for its allegations that Mr Carlos Menem, the opposition Peronist presidential candidate in the election next May, had met Colonel Mohamed Ali Seinfeldin, who led an uprising of army rebels in December.

Mr Jorge Bakias, the founder of All for the Fatherland, was killed in the attack. He was a well-known and articulate lawyer with a respectable career defending human rights. He was the leader of the intransigent Party, a splinter group from the terrorists, until 1985. Last week he appeared on television chat shows accusing Mr Menem and Mr Seinfeldin of conspiring against the Government.

The motive for the attack is still unclear, but a leaflet found on Mr Alberto Farfan, one of the 25 insurgents killed in the fighting, said they aimed to pre-empt the army from staging a military coup.

The leaflet referred to the terrorists as members of an unknown group, the Popular Resistance Front.

Argentine barracks rebel identified

By Ivo Dawson in Rio de Janeiro

ELEVEN Amazonian tribes are to hold a five-day mass gathering in Altamira, in the state of Para next month to protest at the Brazilian Government's plan to construct a major dam complex in the region.

The meeting, believed to be the largest of its kind ever held in the Amazon, is expected to be attended by more than 1,000 tribesmen, alongside representatives of ethnic Indian groups from the US, Canada and Malaysia.

Its aim is to put pressure on the Government to provide more information on the Xingu River hydroelectric scheme, which, protesters claim, will involve as many as five dams in the eastern Amazon, flooding 7,200 square km of rain forest in the Altamira area.

Officials of Electronorte were unavailable for comment yesterday, and it remains unclear how far the Xingu River project is advanced.

Amazonian tribes meet over dam plan

Officials of Electronorte were unavailable for comment yesterday, and it remains unclear how far the Xingu River project is advanced.

Garcia hits out at IMF 'shock' plan

By Veronica Baruffati in Lima

PERUVIAN President Alan Garcia launched a strong attack yesterday against the International Monetary Fund's attempt to pursue a policy of rapprochement with international lending agencies.

In his first public statement since Mr Carlos Rivas Davila, the Finance Minister, returned from Washington after talks with the IMF and World Bank, Mr Garcia said: "We need more dollars coming into the country than going out. If this does not happen, then there is no point negotiating [with the IMF] - we will only end up paying more and decapitalise the little we have."

Mr Garcia said his Government would continue with its gradualist policy, initiated last September, of issuing periodic economic packages.

"The shock [stabilisation] programme proposed by the IMF would bring tremendous social consequences with it. If our small economic packages already have serious social impact, one big super shock programme would have dramatic social and even political consequences," Mr Garcia warned.

He described the IMF stabilisation programme as "incoherent" and said Peru would make other propositions.

"We have the oil resources, and the mining and agricultural exports to work out our own development. We cannot fall into the colonial trap of believing that only loans will solve the problem of Peru and Latin America... Would it do the national economy any good to pay \$1bn now in the hope that they lend us \$200m in two years' time?"

Mr Luis Alberto Sanchez, Peru's Vice-President, supports the tenets of an IMF programme. He favours the application of a shock which would halt inflation and give Peru access to fresh loans.

However, Mr Rivas, the Finance Minister, also expressed doubts about the austerity programme.

Mr Rivas had been in the forefront of mending bridges with the IMF and had indicated this month that Peru would consider making a token payment of \$30m to this end.

"I am not going to pay the \$30m unless I get something in return... The IMF programme would put an even heavier burden on our already poor people," he said.

Mr Garcia also announced that the Soviet Union would award a credit line of \$180m to be repaid over eight years, at a 5 per cent interest rate.

Greenspan says buyouts speaking

By Our Foreign Staff

FEDERAL Reserve Chairman Mr Alan Greenspan yesterday told the Senate Finance Committee there are reasons to believe that corporate leveraged buyouts and related restructurings are probably peaking at present, and as a result, legislation to address the phenomenon probably isn't required.

Mr Greenspan, however, said he would work "in close supervision, especially in the banking area, to address any problems that might exist."

Correction

Partners of Princeton/Newport were not former employees of Drexel Burnham Lambert, as reported on Wednesday. An illegal business relationship between the two investment firms was alleged in indictments last August of five Princeton/Newport partners and a former Drexel employee on racketeering and fraud charges. Separately, Drexel has agreed to plead guilty to a charge of fraudulent securities trading involving Princeton/Newport, which is a small New Jersey firm in the process of liquidation.

Interior values.

Whilst Italians wouldn't agree that all suits are the same - and why should they, after all Italian suits are probably the best in the world - they certainly would agree that in banking it's what lies behind these pin-stripes that makes the difference. Especially so in their own country, with its many-sided economy and range of cultures. In Italy *Credito Italiano* has earned itself the affectionate nick-name of "La Banca in doppiopetto grigio". (Loosely translated, "The bank in the pin-striped suit"). So, as the name implies, we are strong, professional and reliable. But behind the serious facade we're also friendly, young at heart, dynamic and very adaptable. Founded 118 years ago, *Credito Italiano* today has nearly 500 branches in Italy alone, but more importantly, we are the number one Italian bank in terms of geographical distribution of our branches. So we really know what we're talking about on our home ground. But we're also at home all over the world, with a direct presence in the main financial centres and our global network of correspondent banks.

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HQ SERVICES & OFFICES

WORLD TRADE NEWS

UK MPs urge sharp cut in CoCom curbs

By Peter Montagnon, World Trade Editor
AN IMMEDIATE and radical cut in Western restrictions on sales of sensitive technology to communist countries was urged yesterday in a report by an influential group of UK parliamentarians.

NZ to join Soviet gas car venture

By Steven Butler
THE Soviet Union has entered a joint venture agreement with a New Zealand consortium to develop Soviet natural gas reserves for use as a transportation fuel.

Thai copyright war divides Washington

Peter Ungphakorn on Washington's battle against fake products in the Far East

THE REAGAN Administration took more than a month to decide on punitive action against Thailand following the breakdown on December 12 of trade talks between the two governments on intellectual property protection.

Yeutter, then still US Trade Representative, reportedly read the comments in the Bangkok press and held back the draft announcement in an effort to persuade the other agencies to decide whether it covers software, and legal opinion is divided. The Americans want a commitment that somehow or other software will be given copyright protection.

On the other major intellectual property issue, pharmaceutical patents not currently protected in Thailand. Again the difference between Bangkok and Washington on pharmaceuticals is not a question of whether to give protection, but the kind and timing.

Street stalls are loaded with copied music and video tapes and designer clothes

commitment that somehow or other software will be given copyright protection. The Thai Government, again after a sometimes bitter debate and shifting negotiating positions, refused to promise that it would not propose a separate software law.

The US Trade Representative wanted action, the State Department urged leniency

ter, General Chatichai Choonhavan. At first a lenient option was agreed by the agencies concerned and leaked to the Thai press. Mr Reagan was to be asked to withdraw Thailand's right to import duty exemptions on eight products.

EC warned of import threat from E Germans

By Peter Montagnon
EAST GERMAN goods will have "almost unfettered access" to the whole of the European Community after 1992 if no effective controls are created on trade between East and West Germany, the British textile and clothing industries said yesterday.

Thailand's copyright war divides Washington

At first a lenient option was agreed by the agencies concerned and leaked to the Thai press. Mr Reagan was to be asked to withdraw Thailand's right to import duty exemptions on eight products.

ACP highlights EC trade-squeeze fears

By David Buchan in Bridgetown, Barbados
FEARS ARE growing in the 66-strong group of African, Caribbean and Pacific (ACP) countries that forces beyond their control are squeezing its goods further out of the EC.

ARE YOU DOING ENOUGH RESEARCH BEFORE DEVELOPMENT?

Allowed to go too far, ill-conceived new product ideas have a horrible tendency to take on a ghastly life of their own. They can wreak havoc with costs, leaving a trail of horrified shareholders behind them.

Advertisement for The Patent Office. Text: 'and technical information from databases containing details from over 20 million patents published worldwide. An unrivalled source of information, most of which is unavailable elsewhere and free for unrestricted use.'





The Mercedes-Benz S-class is the ultimate form of business travel.

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A REFRIGERATOR IN THE BOOT

If you wish it, the seats will be clad in the finest glove-like hide; the windows operate electrically, and each ashtray has its own cigar lighter. The atmosphere can be air-conditioned or the air recirculated. Individual reading lights are standard and you can specify heated rear seats, curtains, an electric roller blind and even a refrigerator for the boot.

S-CLASS STANDARD EQUIPMENT	
<p>300SE & 420SE (STD WHEELBASE) ABS anti locking braking system · Automatic front seat belt tensioners · Automatic transmission · Electric sunroof (tilting) · Electric windows · Electrically adjustable steering column · Electrically operated near-side mirror · Exit lights in doors · First aid kit · Front seat height adjusters · Headlamp wash/wipe · Heated door mirrors · Leather covered steering wheel and gearshift · Multipoint central locking · Outside temperature gauge · Power assisted steering · Rear head restraints · Recirculating air facility · Tinted glass · Twin illuminated vanity mirrors · Walnut fascia</p> <p>ADDITIONAL WITH 500SE Leather or velour upholstery · Cruise control · Electric front seats · Electric aerial · Limited slip differential · Rear reading lights · Rear shelf speakers · Metallic paint</p>	<p>300SEL & 420SEL (LONG WHEELBASE) As for 300SE and 420SE plus: Cigar lighters in rear ashtrays · Rear foot rests · Electric aerial · Rear reading lights · Rear shelf speakers</p> <p>ADDITIONAL TO ABOVE WITH 500SEL Air conditioning · Leather or velour upholstery · Cruise control · Electric front seats · Limited slip differential · Metallic paint</p> <p>ADDITIONAL TO ABOVE WITH 560SEL Alloy wheels · Electronic radio/cassette · Electric roller blind · All seats electric and heated, front with position memory · Self levelling suspension</p> <p>OPTIONAL EQUIPMENT - ALL MODELS Acceleration Skid Control · Orthopaedic seats · Airbag · Refrigerator in boot · Rear door and window curtains · Theft warning device</p>

While some of these more esoteric items are fitted as standard only on the 560SEL, the chart illustrates the variety and sophistication of the standard equipment on even the 300SE.

Up-grade to S-class

TAKING THE CONTROLS

Here the comparison with air travel must end (unless you're a qualified pilot). Take over the controls of your 560SEL and a unique driving experience begins.

Start the engine. It is a 5.6 litre alloy V8 with electromechanical fuel injection, generating 300 bhp and 335 lb/ft torque at 3750 rpm. Despite the car's 4000 lb weight, this magnificent engine can propel it from 0 to 62 mph in 6.9 seconds. On the test track the car can reach a governed top speed of 156 mph (manufacturer's figures).

Other models in the series are the 3.0 litre 300SE and SEL, 4.2 litre 420SE and SEL, 5.0 litre 500SE and SEL. The S-class series offers a full range of space, performance and economy options. Each is a model of modern aerodynamics. Each will handle as well as a much smaller, lighter car should the need arise.

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مركز خدمات العملاء

THE PROPERTY MARKET

Advantages of remaining private

By Paul Cheeseright

Michael Birchall was 35 and rather bored. "I didn't want to sell houses for the rest of my life." That led to the birth of Sibec Developments 16 years ago. "I didn't have a bean," recalls the one-time chartered surveyor. He set up a one-room office above a travel agent in Wigan. "My biggest decision was whether to have a telex or not. My wife would answer the phone - we had the luxury of two lines." And there was a lady of 80-plus to do the books. The property developer with a £1bn programme is now more likely to be concerned with his executive jet and, as he put it, "trying to mature a business, whether it's private or public." In fact Sibec is private and likely to remain so. Had there not been a stock market crash in October 1987 and had the sentiment of the market not swung against the developer-trader companies, so fashionable in 1986-87, Sibec would have been quoted long since. But for the moment there is nothing the market can offer.



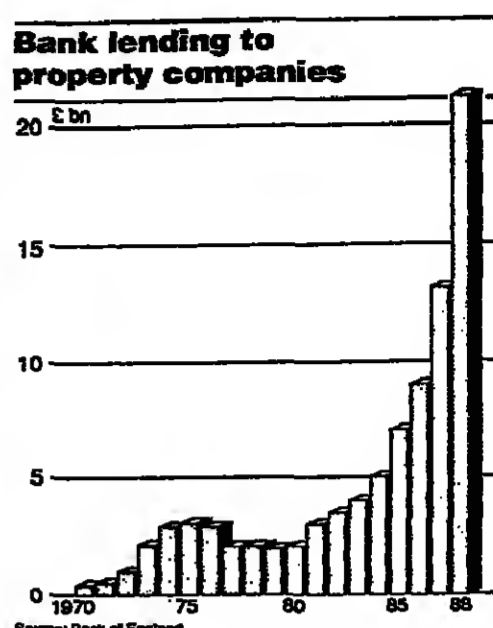
Michael Birchall: West-End style on a Mancunian base

If there is a disadvantage in remaining private it is that "we don't have quoted paper where we can assess on a day-to-day basis what the company is worth, but, really, that doesn't matter," Birchall says. The advantage is that Sibec has retained flexibility. "We don't have to respond to the fashion of the day." It does not have to do as comparable quoted development companies have done: be seen in the marketplace buying investment properties to boost net asset value per share when the object of the business is to generate cashflow by developing a property and selling it on. The situation might be different if Sibec did not have what Mr Birchall believes is a more than adequate capital base to underpin the existing development programme, access to short-term borrowings and a sufficient cashflow to meet immediate commitments. By the middle of the year Sibec could have up to £20m on deposit. There is no pressure for a listing. Mr Birchall holds just over 50 per cent of Sibec. Executives hold around 10 per cent and a syndicate of institutions led by Midland Montagu Ventures and TR Property Investment Trust has 40 per cent. This pattern of equity ownership lacks only the leaving of small shareholders that a quotation would bring. Sibec's style is orthodox enough. With the development of, say, a shopping centre - the Sibec speciality - a major store is sought for a pre-letting. With this in place, a construction loan is arranged through the banks. With the building taking place, an institution is sought to replace the

short-term funding with long-term finance. The shopping centre at Aldershot is a case in point. It was a venture in two phases - the refurbishment of an existing complex and a newly built section. From the start there was income from the section to be refurbished. Sibec undertook the refurbishment, helped by bank finance, and then arranged with the Universities Superannuation Scheme to buy the refurbished part and to forward fund the new part. Thus Sibec took a profit on the first section and secured its return on the second. An overseas strand of Sibec's activities will become increasingly important. If it works over a sustained period, it will make Mr Birchall, described by one broker as working "with West End style on a Mancunian base," an international tycoon in the sense that Sydney Mason of Hammerson became one. This year, Sibec will earn 35 per cent of its profits overseas. By far the greater part of 1988 pretax earnings, expected to come out at just under £12m against £5.15m in 1987, have sprung from domestic activities. None the less expansion has been rapid. At the end of 1988 shareholders' funds were around \$40m, compared with £25.8m at the end of 1987.

The eager lenders

Enthusiasm among the banks for lending to companies like Sibec has shown no signs of abating. Indeed, the pace has accelerated since, in the summer of 1987, Mr Robin Leigh-Pemberton, Governor of the Bank of England, politely urged caution. It is too soon to establish whether higher interest rates are having any effect. In the three months to November, bank lending to property companies rose by £2.2bn to a total of £21.2bn.

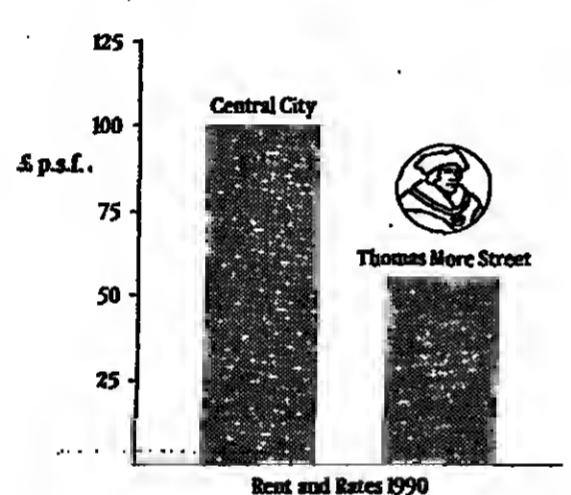


Chartered surveyors have been weighing this up. Debenham Tewson & Chinnocks noted that in that last quarter there was a 6 per cent increase in commercial borrowing but property debt grew by 12 per cent. Savills, with an eye backwards to the property crash of 1973-74, recalled that, then, bank lending to the property sector stood at 12 per cent of commercial debt, while now it stands at around 7 per cent. There is no sign that the pace of lending will slacken immediately. The property industry has gained a development momentum which will certainly be sustained over the next few months. This could be tempered by a reluctance among banks to lend on more marginal projects, given that higher interest rates could make the finances of some smaller companies look fragile.

What has made life easier for Sibec and others has been the growing competition among the banks and the drive into the marketplace by foreign banks. Four years ago, overseas banks accounted for just under a quarter of the lending to property companies. Now that proportion has reached 38 per cent. In recent quarters the biggest push in the market appears to have been made by European banks. Sibec has noted that since it started to become involved in Belgium and Spain, its activities have attracted the attention of European banks. Once British companies

take on foreign commitments, their sources of financing inevitably widen and become more elaborate. For Sibec this elaboration will probably reach a pinnacle with the financing of a £2.5bn plan to develop, in a consortium, a retail, leisure and cultural complex outside Leningrad. This is likely to be led by an Austrian bank and will probably make Sibec's domestic financing arrangements look like a ride through play school.

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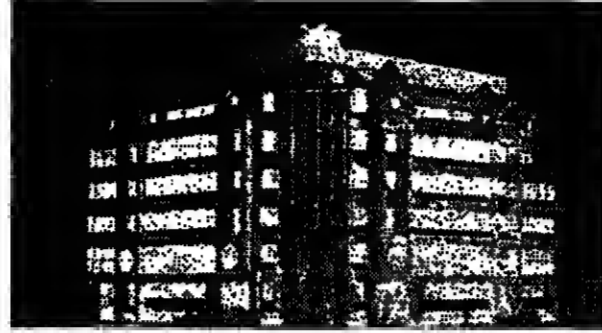
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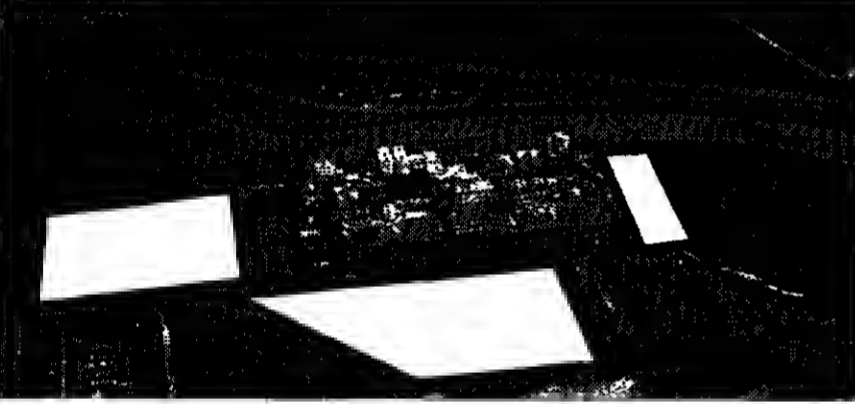
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TECHNOLOGY

Ink spots hit the production trail

Paul Abrahams reports on the spread of the bar-code to factories

The ubiquitous bar-code is playing an increasingly important role in the development of modern manufacturing. The use of these machine-readable codes helps companies to improve quality and inventory control and sharpens their ability to trace the origin of a faulty product.

However, until recently, manufacturers found it difficult to make the process of applying bar-codes to goods integral to their highly automated production lines. There was little point in using bar-codes if their application - which was often by hand - caused production bottlenecks.

The makers of continuous ink-jet systems, which include Domino and Videojet, of the UK, and Imaje, of Valencia in France, are trying to interest industrial companies in their technology as a means of overcoming this problem. They believe that continuous ink-jet printing operates quickly enough to remove the risk of bottlenecks.

Others getting out," says Male. "The cost of the printers - about £25,000 - is a small investment compared with the possibility of having to recall a whole week's production, about 90,000 items. If there is an error we would now have to withdraw less than 1,000."

The ink-jet companies are trying to expand the range of applications for their printers. In particular, they stress the role that machine-readable code can play in quality control and in reducing inventories.

Digital Research is using the technology at its Scottish computer board factory. It aids quality control by showing which production stages have been completed and tested.

Mibelle, the toiletries and cosmetics arm of Migros, the Swiss retail co-operative, has installed 47 ink-jet systems on its production lines at Buchs, near Zurich. Max Basler, Mibelle's technical manager, stresses the importance of inventory control in a factory which handles 40m tonnes of raw material a year and manufactures 190 varieties of product.

Previously, if a product was found to be faulty, products had to be recalled on a national basis," explains Barrell. "The publicity on radio and television could have dramatic and unfortunate results on the image of the item and subsequent sales. Now, with individual coding of packets, faulty batches produced on a particular line can be traced and withdrawn quickly."

Other sectors are now using ink-jet printers to help trace stock. Lucas Heavy Duty Brakes Systems in Pontypool, a division of Lucas Industries, has installed two ink-jet printers on a production line manufacturing brake components. The printers were supplied by Videojet Systems International, a division of GEC.

Edward Male, a process engineer at the Pontypool factory, explains that each individual item manufactured on the line is given a unique code with yellow pigmented ink which will resist the harsh conditions of heat and salt-spray under the wheel arch.

"We haven't had a product fail, but if one does we want to be able to assure our customers that we can find out where it came from and prevent

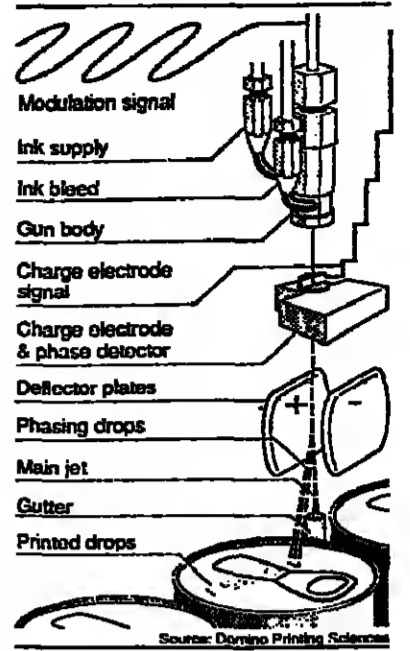
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Ink-jet printing



Ink-jet printers are also being used increasingly by the print media to print subscribers' addresses on the publications. The machines can easily be added to existing print lines. Both Times and Newsweek, the US news magazines, use them, as does the Financial Times in the US. Among the other organisations employing the technology to increase efficiency is the Inland Revenue, the UK tax authority. It has bought 11 Domino machines, which can print the addresses of taxpayers at a rate of 40,000 an hour.

"I'M GOING FOR A SCREENBREAK NOW BUT I'LL LOVE YOU EVEN MORE WHEN I RETURN."



The gospel according to Apple

It was evident from the moment he came into view, a silicon chip affixed to his forehead and wearing a cassock and Warren Beatty smile, that this was not going to be any ordinary computer show.

What he or the chip were doing at Macworld in San Francisco last week never became clear. But the presence of the cassock was more understandable. Macworld existed to celebrate the apotheosis of the personal computer - in this case, the Apple Macintosh.

The company itself was musing about the celebration. Jean-Louis Gasse, of Apple Computer, California-based manufacturer of the Macintosh, explained before an audience of several thousand that they were there to celebrate the fifth anniversary of the advent of a magical computer - one that had transformed lives through its power and user-friendliness.

In an atmosphere similar to a Billy Graham revivalist assembly, users explained their conversion. One announced that the Mac was the first non-passive machine, a computer that allowed him to work with the other half of his brain, to extend the reach of his body. It was, he said, like coming home. The congregation applauded.

The advantages of the Mac were unnumbered, said another. The machine allowed you to do what you need to do, but better and faster; it let you do what you wanted to do and couldn't; and finally, it offered applications you couldn't previously have dreamt about.

One convert explained that what she liked about the Mac was that not everybody initially liked it. You had to convince them. At this point in the show, the Apple public relations man leant over to me and asked if I owned a Mac. After I had confessed single ownership of an Amstrad PCW, he said he would have a word with his counterparts in the UK who would loan me one. Then, he said, I would understand what this was all about. I felt rather as I had when a kindly Indonesian Moslem lent me a copy of the Koran and, on later hearing that I had read it, announced that I was now a Moslem because the word of God had been revealed to me.

The presentation continued as Apple made the point that the Macintosh was an economical one. In a spoof advertisement, the company showed the editor of Hinduism Today, based in Honolulu, explaining the benefits of desk-top publishing. The paper's new slogan was, "Drive Hinduism ahead through accepting Apple Macintosh - a tool to enlighten the world." One San Francisco newspaper reporting the event thought the advertisement was real - the mistake was, however, understandable because Apple enthusiasts really do seem to be different.

Certainly, the range and variety of people at the show were impressive. Teenagers talking in incomprehensible abbreviations and acronyms walked past directors in cowboy hats and berets, who boasted that their companies would be worth more than \$100m by the end of the year. Long-haired programmers, dressed in dungarees and translated from the early 1970s, mixed with company executives clutching skin-coloured balloons. And although Apple and its universe have recently been accused of becoming respectable, a number of the check-suit wearing businessmen still had pig-tails.

The companies exhibiting at Macworld were no less exotic. Even some of their names were bizarre: from Strawberry Tree Computers to Silicon Beach Software, they betrayed their west coast origins.

The salesmen and women extolling the virtues of their products to applauding audiences were also unusual. It never did become clear what the man in tails and red tie playing a grand piano and singing "This is the time" was trying to sell.

It was clear, however, that some of the sales people were successful. The escalators leading out of the main hall were loaded with newly purchased Macs and the 450 exhibiting companies and 56,000 visitors appeared to leave mutually satisfied with the event and with the Macintosh product.

William, the shoe-shine man by the exit, was also happy with the Macintosh. He reckoned that by the end of the day he would have covered between 30 and 40 pairs of shoes - one of the highest totals of the year. He too confessed himself an Apple fan.

Paul Abrahams

Swedes hear a powerful case for windmills at sea

By Thomas Land

THE Swedish Government is considering a report which recommends the building of up to 300 windmills at sea.

Carried out by the Swedish consultancy group VBB, the feasibility study concludes that a wind farm, once fully under construction by the end of the century about the same amount of electricity per year as a medium-sized nuclear power station. Built off the country's southern coastline, the report says that the power plant would have no adverse effects on the environment.

Wind-farms are expected to gain a price edge in electricity generation over coal and nuclear power stations in the coming decade. This is because the cost of wind-generated electricity is continuing to decline, through technical advances and economies of scale.

The project, one of the most advanced in the world, involves anchoring the windmills to the seabed. Production costs are estimated to be comparable with those of power plant using other energy sources.

The feasibility study was commissioned by the local authority of Blekinge County, on the Baltic coast near the proposed marine construction site. It concludes that both wind and seabed conditions at the site, which is about 20km offshore, are suitable for power generation.

and more even at sea than on the land, the wind-powered generators could function nearly a third more efficiently than comparable land-based units, says the report.

The windmills would be far enough from the shore to keep noise and television interference to a minimum and they would hardly be visible from the mainland.

Among the advantages of the project listed in the report are the social and economic acceptability of the scheme. It would provide up to 3,000 man-years of local employment.

Sweden is a world leader in the search for safe and environmentally acceptable energy sources. The quest is fuelled by the national energy programme which calls for the complete phasing out of nuclear power by the year 2010.

This necessitates a major building programme, costing more than \$7bn, which is expected to result in substantial electricity price increases. But in the aftermath of the Chernobyl disaster in the Soviet Union, opinion polls conclude that many Swedes consider the price acceptable.

Sweden is already involved in marine construction in order to bury in the seabed the nuclear wastes generated by its existing reactors. The Government recently introduced provisions for dealing with nuclear accidents and published legislation to outlaw the building of new reactors.

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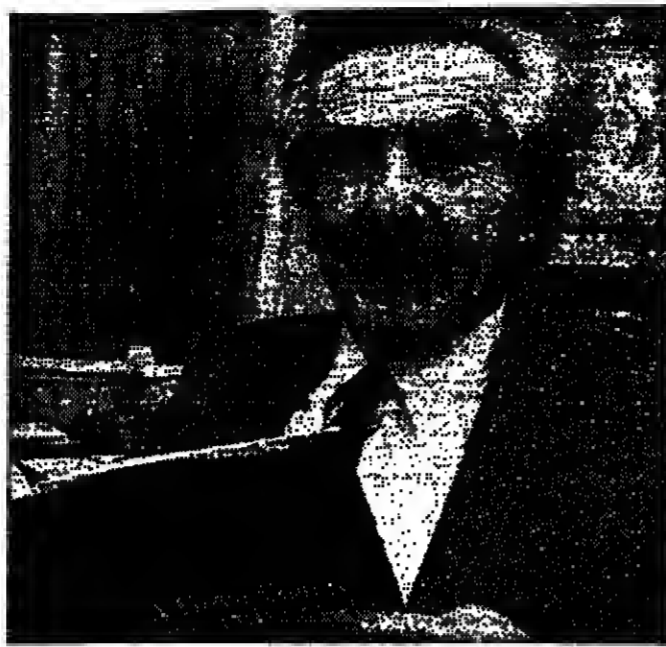


MANAGEMENT

Taking stock of the moral, ethical and behavioural sciences

INSIDE EDGE

Michael Skapinker talks to Frank Heller about the influence of Britain's Tavistock Institute in worker democracy



Heller, who is 68 - "one of the best things about the Tavistock is that you don't have to retire" - began his working life as an engineer in the motor industry. He followed that with degrees in economics and psychology.

He taught management studies at the Polytechnic of Central London until 1981, when he was recruited by the International Labour Organisation to advise the Argentinian government on management education.

His initial appointment was for one year, but he ended up staying in South America for six, working in both Argentina and Chile. He then taught for two years at the University of California at Berkeley, before returning to the UK in 1968.

He considered several university jobs, but they struck him as too restrictive. He settled for the Tavistock instead.

"The beauty of the Tavistock is that if someone gives me money for a project today I can be working on it by the afternoon." He has the advantage, too, of being able to use an airy Hampstead flat as his office rather than being based in the grimy functional Tavistock building.

Current projects include one on the National Health Service and another on attempts to encourage energy conservation in schools. Among Heller's previous projects was an eight year study, concluded in 1983, of attempts to set up a system of employee participation at British Leyland.

Only in the past few years have devices to encourage

government holds the social sciences makes people like Heller feel even more beleaguered.

He admits that the Tavistock is partly to blame for its low profile in the UK. It does not have a public relations or press officer. As a non-hierarchical organisation, it does not even have a director. Heller is happy to talk about his own work, but is anxious that he should not be seen to be speaking on behalf of his colleagues.

The institute, which was set up in 1946, aims to combine research in the social and psychological sciences with consultancy and training. Among its recent projects are an examination of the reasons for violent attacks on staff at unemployment benefit offices, helping a company in Northern Ireland implement new guidelines aimed at combating religious discrimination, and providing advice on organisational changes to the Federal Electricity Commission in Mexico.

All the institute's funding comes from the companies, organisations, research foundations and government departments for which it does research, consulting or training work.

The institute shares its premises in Belsize Park, North London, with the Tavistock Clinic, a psychoanalysis centre which is part of the National Health Service. Although there is some personal contact between the clinic and the institute, there is no formal link between them. Only a small number of the institute's 36 members have a psychoanalytic background.

For those rubbing their eyes in disbelief, the prime minister in question was not Margaret Thatcher. It was Gro Harlem Brundtland, the prime minister of Norway. The conference she was addressing, in Oslo, was held in honour of the eminent behavioural scientist Einar Thorvard, who had died two years previously.

That Mrs Thatcher is unlikely to talk about the social sciences in such affectionate terms is not without its ironies, says Frank Heller of the London-based Tavistock Institute of Human Relations.

Thorvard and his Oslo Work Research Institute were strongly influenced by British ideas. Many of their theories on greater employee participation were originally based on work done at the Tavistock, as Brundtland acknowledged in her speech. Scandinavian companies such as Volvo were quick to see the advantages of greater employee involvement.

British companies, for the most part, were not.

"One tends to get more credit abroad than at home," Heller says. The low regard in which the current British gov-

Corporate reorganisation

A quest for devolution

British Rail believes that it is succeeding with its drive to replace a hierarchical structure with a matrix system of control. Jimmy Burns reports



Trevor Toolan: creating a revolution

Trevor Toolan, managing director of personnel at British Rail, believes he is helping create something akin to a revolution.

"When we first started talking about it... the view was that we couldn't do it. Actually what's happened is that we've taken it with a vengeance," he says.

The "it" in question is arguably BR's most ambitious corporate reorganisation since the nationalisation of the railways in 1948. The aim today, however, is rather different from what it was then: the transformation of a once top-heavy, loss-making public corporation into a profitable market-led business capable of standing on its own two feet without the support of government.

One of the main planks of the reorganisation has been the speeding up of a management restructuring. This began in the late 1970s with the abolition of the second tier "divisional managers" and their replacement by a tightly-knit chain of command involving regional and area managers.

The restructuring continued to develop in the early 1980s with the creation of five business sectors: intercity, network south-east and provincial passenger services, freight and parcels.

Now it involves further devolution of responsibility to area and subsector including "self-accounting units" each with clear performance targets and a large measure of autonomy in marketing policy and staff organisation.

BR claims that the success of this move away from managing a traditional hierarchical organisation to managing a matrix was instrumental in helping the board last year record its best results in its 25 year corporate history.

Toolan admits that the success of the reorganisation has not yet proved uniform. The administrative overheads incurred by various departments at BR's headquarters along the Euston Road, in London, is one area which has "so far" escaped "the revolution."

By contrast, BR's restructured legal department and new streamlined subsectors in manufacturing and maintenance, together with the new Anglia Region - formerly part of Eastern Region and set up with no net increase in administrative staff - are held up as examples of success.

"We had become increasingly conscious of the extent to which managers within BR seemed relatively powerless to take simple decisions affecting resources. We have tried to change that so as to give individual managers a greater sense of responsibility and this has had an impact on the efficiency of particular units," says Toolan.

Also key to BR's reorganisation has been the introduction of more flexible forms of pay which it expects to follow up towards the end of this year with further far-reaching changes to the collective bargaining arrangements covering its 130,000 staff.

Merit money has, since 1981, been paid to all managerial grades as a supplement to negotiated pay increases linked to the cost-of-living index. But from July, middle managers within the organisation will receive no pay increases other than those based on merit, and Toolan hints that the system is likely to spread among lower grades in the medium term.

The widening scope of performance pay is viewed with great suspicion by the unions. Although its own members voted to accept individual contracts based on performance pay, the white collar rail union, the Transport Salaried Staffs Association, sees the new system as potentially divisive and counter-productive.

Toolan, however, denies that BR's intention is to ensure that middle managers and other members of staff have no future role in negotiating either the criteria for the awards or the level of increments.

Each middle manager will have the opportunity to discuss both his job and performance at a meeting with his superior every six months and before his annual assessment to which pay is tied. If he disagrees with his assessment he can appeal to an "over-manager."

"What we want to create is a race in which there are only winners, not winners and losers."

four-year pay and conditions deal as part of a radical restructuring of relations with staff and unions at one of its plants.

One of the ideas introduced by the company is single status conditions of employment for all staff below managerial grade with the aim of developing a multi-skilled workforce and eradicating overtime.

Another company which Toolan would like BR to emulate is Rank Xerox. "The company faced tremendous competition from the Japanese but has succeeded in clawing back its market share thanks to improving customer service."

He also mentions Aer Lingus as a public company which has demonstrated an ability to compete and produce successful results.

Publicity surrounding recent rail disasters in the UK prompts Toolan to add a rider to his generally bubbly assessment. "The extent to which we devolve responsibility and allow each manager to pursue his objectives will always have to be subjugated to a concern throughout the railways with safety and that is the responsibility of the board."

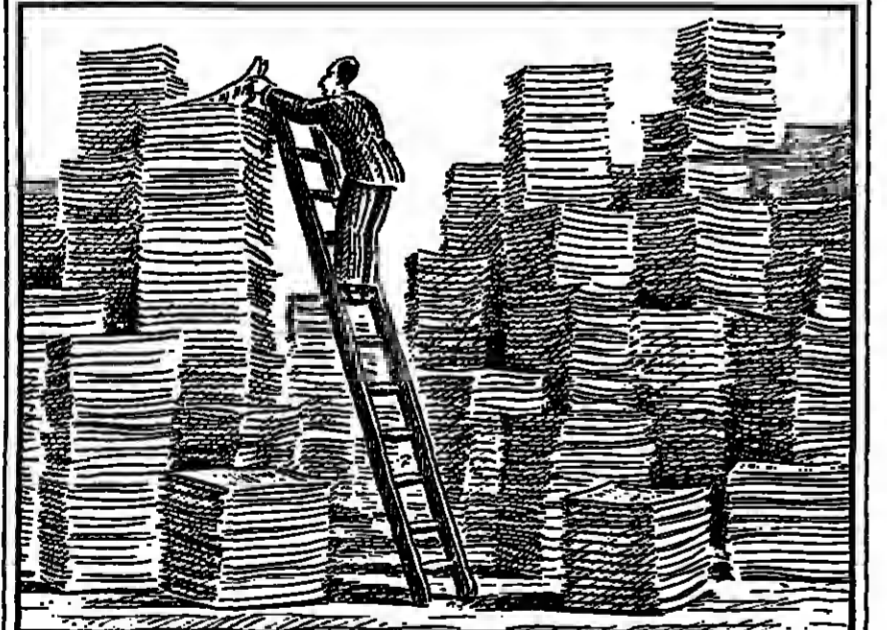
Such a view is challenged by the unions - as is much of the ethos behind BR's new style "business management." They argue that safety and effective communication with the shop floor has been sacrificed. They also argue that customer service has suffered as a result of a 5 per cent reduction last year in the number of staff and a relentless push for profits.

The unions remain deeply suspicious of other aspects of BR's reorganisation, each step of which appears to undermine their influence on the pay and conditions of staff.

Toolan denies that he is the heat on breaking the unions within BR. "I find it impossible to imagine that in Great Britain we would ever see the end of trade unions... I think the rail unions have shown evidence that they can co-operate," he says.

And yet his apparent determination to push through change once consultation had failed to generate agreement could mean a less than peaceful revolution in the months ahead.

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FT LAW REPORTS

Determination of issue is a 'trial'

TATE AND LYLE INDUSTRIES LTD v DAVY MCKEE (LONDON) LTD Queen's Bench Division (Commercial Court). Mr Justice Hirst: December 21 1988.

THE COMMERCIAL COURT's practice of transferring applications for leave to appeal from a building arbitrator to the Official Referee's Court is within its powers if determination of the issue by an official referee is desirable on grounds of expedition, economy, convenience or otherwise.

Mr Justice Hirst so held when refusing an application by Tate and Lyle Industries Ltd, for a new hearing of its application for leave to appeal from an arbitration award made in favour of Davy McKee (London) Ltd.

Order 36 rule 1 of the Rules of the Supreme Court provides: "(2) . . . official referee's business includes . . . any cause or matter commenced in the Chancery Division or Queen's Bench Division . . . (b) for which trial by an official referee is desirable in the interests of one or more of the parties on grounds of expedition, economy or convenience or otherwise."

HIS LORDSHIP said that on November 18 1987 an interim award was made in an arbitration between Tate and Lyle as claimant and Davy McKee as respondent, concerning construction or reconstruction of plant in the sugar-refining industry.

The amount at stake exceeded £3m.

Tate and Lyle issued a summons for leave to appeal in the Commercial Court. On February 5 1988 the court made an order transferring the summons to the Official Referee's Court. Judge Hawser heard the application and refused leave to appeal.

Tate and Lyle now alleged that the order for transfer was *ultra vires*, and that Judge Hawser's decision was a nullity. It asked the court to re-list the summons in the Commercial Court for hearing *de novo*.

RSC Order 73 rules 8 and 6 provided that an application for leave to appeal from an arbitrator's award should be made to a commercial judge "unless he otherwise directs."

The powers of official referees were laid down by RSC Order 36 rules 1 and rule 4.

By rule 1 their business included any cause or matter for which trial by an official referee was desirable. By rule 4(1) the official referee to whom the business was referred had the same powers as a judge.

RSC note number 36/1-9/10 described a trial before an official referee as "a trial in the High Court . . . notwithstanding that the official referees are nominated circuit judges."

Mr Gardam for Tate and Lyle submitted that an official referee could only exercise High Court jurisdiction when

either (i) he was requested by the Lord Chancellor under section 9 of the Supreme Court Act 1981 to sit as a High Court judge (which did not apply in the present case); or (ii) when he was conducting official referee's business as defined by Order 36 rule 1.

He submitted that the procedure for grant or refusal of leave to appeal from an arbitrator on a point of law, in the exercise of the court's discretion, could not constitute a "trial" within Order 36 rule 1(b).

Mr Keating for Davy McKee submitted that Order 36 rule 1 should be accorded a broad construction in the light of the word "includes" and that "trial" extended to any determination which decided a point at issue.

He said the application therefore fell within sub-rule (b) on the ground that trial by an official referee was desirable in the interests of expedition, economy or convenience.

The first question was whether the proceeding was a "cause or matter" for which trial by an official referee was desirable for the reasons given.

The words were very wide and fully apt to cover an application for leave to appeal against the decision of an arbitrator.

In that context, therefore, "trial" did not bear the narrow connotation sought by Mr Gardam, but was synonymous with "determination."

Thus, even without recourse to "includes" the present application for leave to appeal was official referee's business, since trial or determination by an official referee was desirable in the interests described in the sub-rule.

That view was reinforced by the use of "includes" which showed that Order 36 rule 1 was not to be restrictively interpreted.

Once it was held that the cause or matter was properly to be treated as official referee's business, Mr Gardam did not dispute that, by virtue of order 36 rule 4(1), the official referee had the powers of a High Court judge.

It followed that the Commercial Court, pursuant to its power to direct that such an application be heard otherwise than by a commercial judge, had power in construction industry or building cases like the present to direct that it be heard by an official referee.

The application for a new hearing was dismissed.

For *Tate and Lyle*: David Gardam QC and Nicholas Padfield (Simmons & Simmons).

For *Davy McKee*: Donald Keating QC and Rupert Jackson (Mosses).

Correction: In *Re Walter Jacob & Co Ltd* (FT Jan 20), appearances for the Official Receiver were Roger Kaye (Booth & Blackwell).

Rachel Davies
Barrister

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FINANCIAL TIMES
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THE DAILY TELEGRAPH, WEDNESDAY, JANUARY 25, 1989 7

Whitehall to cut phone bills by using Mercury

By David Millward, Political Staff

THE GOVERNMENT is expected to cut its £230 million annual phone bill substantially by switching half the lines within the "Whitehall village" from British Telecom to Mercury, the rival telecommunications company which has won a series of contracts over the past five years by undercutting BT.

Mercury is already responsible for about half the Government's long distance lines.

There are 35,000 handsets in Whitehall, defined by the Government's telephone managers as its offices within a mile of Big Ben.

Apart from being cheaper, Mercury's bills include a detailed list of calls made, permitting further economies by discouraging personal phone calls.

But even without the switch to Mercury, the Government could save more if departments throughout the country logged their calls and checked their bills from British Telecom, Mr John Bourn, the Comptroller and Auditor General, said yesterday.

Mr Bourn, who acts as the Government's accountant and financial watchdog, told MPs that Whitehall's record in controlling costs was patchy. Some departments kept a much tighter rein than others on phone bills.

Pilot logging schemes, designed to discourage civil servants from using phones for personal calls, achieved dramatic savings, Mr Bourn noted.

Where logging had been installed, savings varied considerably.

DSS headquarters in London, for instance, cut its bill by £41,000 a year after logging equipment was introduced.

DSS headquarters in Fylde, Lancashire saved £70,000 a year.

The DSS in Newcastle saved £190,000 over two years and Customs and Excise in Southampton saved £74,000 a year.

Mr Bourn said that the seven departments he examined could save the taxpayer £3 million a year if they logged all their calls.

Not only were departments slow in taking action to cut back the number of personal calls made by staff, they were failing to take action to prevent over-charging by British Telecom.

Major advances in the control of the several tens of thousands of millions of pounds spent annually by departments on British Telecom call charges will only be possible when call logging is extended and British Telecom issue itemised bills, Mr Bourn said.

The change to Mercury, which is planned over the next two years, could be reviewed if British Telecom's charges become more competitive.

National Audit Office, Report By Comptroller and Auditor General, Management of Administrative Telecommunications HMSO £4.10 net.

*Peter,
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Phone Bills?
- Gordon*

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ARTS

Speed-the-Plow

LYTTLETON THEATRE

This is the David Mamet play seen on Broadway last year with Madonna as the temporary secretary caught in the crossfire between two youngish executive Hollywood Turks. Some reports suggested she held up the play, others she was just Madonna out of her depth.

My first reaction to the National Theatre version, directed by Mamet's longtime associate Gregory Mosher, is that depth is not anything Madonna could have been out of in this play.

By the very high standards he has set himself in what Robert Brustein has memorably identified as the tragic joy of American Buffalo and Glengarry Glen Ross, Speed-the-Plow is finely textured and a delight.

At the National, two of the performers are miscast, and the design and lighting, by Michael Merritt and Kevin Rigdon, are poor. The settings are of cheap-looking art deco fawn fur with sudden red, sudden blue, and random signs of redecoration.

installed Head of Productions, Charlie Fox, his sidekick of 11 years standing and grovelling, has brought him a prison movie outline with sex, violence and high budget costs.

Before this project goes straight to the unseemly Head of the Studio, Karen, the secretary, challenges Bobby's explanation of the "courtesy read" procedure for unwanted whimsical "arty" ideas based on classic Eastern novels.

She latches on to one about radiation, the loss of love and the End of the World. She is asked to report on it and to go to Bobby's house that night. Bobby has bet with Charlie that she can roll her in his darts.

In the second of three short acts, Bobby and Karen kick around the radiation book over drinks. In the third act, bet collected, Bobby has dropped the prison project and plans to propose the radiation film. Charlie rallies and saves the day, Karen goes. Another nail is banged in the coffin of art, good intentions, open-eyed delusions that the world might be changed by decent behaviour and honest work.

production, and only when Alfred Molina is on stage as Charlie. I hope the NY sign up Molina for a long sentence on the South Bank. He is a wonderfully vital and appealing actor who sets about Mamet's cascading rhythms and stylistic switchbacks with a real physical vengeance and faultless technique.

The Bobby Gould of Colin Stinton and the Karen of Rebecca Pidgeon, yet another woefully inexperienced NT recruit, are stiff and manufactured in comparison. Mamet has nothing if not a sexy writer, and his sprawling speeches, fast riffs and spots need to be ridden with tautness and panache.

Stinton is fast and organised, but he disappears when talking. Blockish and dour, he signals like an automaton and is an implausible coozer of sexual charm, the colour of power. Pidgeon never really lets us know what she thinks, but concentrates on speaking very clearly. Ambiguity over the qualities of the awful radiation novel is permissible. But this girl is a go-getter moving too fast for her own good. She is found out by Charlie. She makes a mistake. None of this is invested with any tension or grit.

The overall impact is of a random flimsiness, and not of the gleefully rampaging jungle warfare initiated on other Mamet occasions.

Michael Coveney Colin Stinton and Alfred Molina



Two studies of an eagle's head by Ferrino del Vega

Chatsworth's hidden drawings Susan Moore at the Fitzwilliam Museum, Cambridge

After two substantial exhibitions, and two depleting sales, it might have seemed that there were no great Old Master drawings at Chatsworth that remained unnoticed. Not so. A further selection from this celebrated private collection has come to the Fitzwilliam Museum, Cambridge (until March 19), after an American tour organised by the Virginia-based International Exhibitions Foundation.

The 124 drawings were chosen by the Fitzwilliam's director, Professor Michael Jaffé (who is currently preparing a full catalogue of the collection). His focus here is the 16th and 17th centuries, and those areas of Italian, Flemish, Dutch, German and French draughtsmanship left largely unexploited by the two previous curators, the formidably distinguished A.E. Popham and James Byam Shaw.

The collection, amassed largely by William Cavendish, 2nd Duke of Devonshire (1670-1709), can still boast from Leonardo grotesques, three drawings by Raphael, and a group of Rembrandt landscapes. There would have been more Raphaels had not Sir Thomas Lawrence managed to persuade the 6th Duke to part with three studies for a portrait of George IV. These major sheets are justly celebrated, even if exhibited for the first time. Others have been overlooked, such as Hans Rottenhammer's "Dianna and her Nymphs" and a French drawing attributed to the Annals Carracci's stunning modello for the Assumption altarpiece now in Dresden. It is the first time since the 18th century that Domenichino's beautiful, two-sided cartoon has left the house.

Rosemary Butcher

ICA GALLERY

Members of Rosemary Butcher's supporters climb make much of her supposed individuality and "independence," words which hardly convey the fragmentary and tedious nature of her dances.

Miss Butcher's six dancers - 4/20 - trudge glumly about, working an astonishingly slow range of movement, taking up what used to be called poses plastiques, and generally wrying wan little dance ideas like a terrier with an old slipper.

Romeo and Juliet

COVENT GARDEN

Two young newcomers as Romeo and Juliet on Wednesday night brought an inevitable and charming air of innocence and tenderness to the Veronese tragedy. Viviana Durante has also a quickness of temperance that helps explain the obsessive nature of Juliet's love, so that when faced with family pressures she becomes rebellious, angry, and more than ever determined to be true to her passion.

Her expressive directness is right for MacMillan's version, which, from the first, found its motor energy in Lynn Seymour's proud and head-strong girl. In matter of dancing Miss Durante showed her best qualities of darting, clear-pulsed movement: she was all ecstasy in the balcony duet; wrath-like yet true to herself in the arms of Paris when she finally yielded to him.

Strauss and Mozart

FESTIVAL HALL

With the organ in full cry and an extra posse of a dozen trumpets, the Festival Prelude by Richard Strauss set the latest of London's musical series off to a raucous start. One of the benefits of the current pre-occupation for arranging concerts in themes is that it allows the musical directors of the London orchestras to indulge their specialities.

Opera in San Francisco

Josephine Barstow gave the most memorable performance in a San Francisco Opera season whose successes were largely those of individual artists.

Her performance anchored the season's finest ensemble effort. Also outstanding in a uniformly strong cast were Michael Devlin as a menacingly blustering Boris, William Lewis as a haltingly intellectual Zinoviy, and Jacques Trussel as the ardent, fickle Sergei. This revival of Wolfram Skallicki's production yielded the finest work in the pit to date by John Patrick, now the company's music director.

ARTS GUIDE

Continued from Page 14.

EXHIBITIONS London

The Royal Academy, Italian Art in the 20th century, after Genuina and British, the first in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases, clearly setting out the several developments of Futurism, Metaphysical Painting, Realism and Abstraction, but is rather more cursory and better-kept in bringing the story up to date. Daily until April 9, except Good Friday, sponsors Atlantic and Fiat.

Paris

Grand Palais, Paul Gauguin, coming after Washington and Chicago, 250 works from the United States, the Soviet Union, Japan and Czechoslovakia, together with those in French possession, form the first great retrospective since 1949 of the legendary painter moulti. January 14 until April 24, closed Tuesday closing night Wed (42 96 83 30).

Antwerp

Museum of Contemporary Art of Antwerp, British sculpture 1960-1988. A major exhibition of works by 36 contemporary British sculptors. Closed Mon. Ends Mar 5.

Rotterdam

Boymans-Van Beuningen Museum, Twin exhibitions on

Rembrandt and his school comprising a lavish 200 drawings and 38 paintings, all from the museum's own collection. Ends March 5.

Antwerp

Koninklijk Museum Voor Schone Kunsten, Leopold de Waelplaat. Golden Light: Art of the lion. Celebrates 125 years of the museum between the 15th-17th Centuries. Many of the Byzantine, Cretan and Russian icons are on public view for the first time and are lent mainly from private collections. Closed Mon. Ends Feb 5.

Berlin

Branche Museum, Emil Nolde (1867-1956). The exhibition concentrates on Nolde's most creative period in Berlin in 1910-1911. There are about 125 pictures, aquarells, lithographs and drawings. Dussardsteig 9. Ends Feb 5.

Stuttgart

Stuttgart Museum, The most important pictures of the famous Thyssen-Bornemisza collection covering the period between 14th-18th century as well as works by Holbein the youngest, Frans Hals, Peter Paul Rubens and Albrecht Durer. Until March.

Vienna

Kunsthistorisches, The Soviets are becoming more relaxed about exhibiting their treasures abroad. The latest to hit the West is a collection from Leningrad's Hermitage which is devoted to Scythian Gold, the golden arti-

Turks

Castello di Elzevi, Alberto Giacometti (1901-1966). Representative of the Swiss artist's major works, in large part those shown in the French pavilion at the Venice Biennale (1968). Giacometti won the sculpture prize. Organized in collaboration with the Meaght Foundation in Saint-Paul, the show includes the nine Femmes de Venise in a highly effective grouping, his Femme Debout of 1960, and L'homme qui marche, the latter looking curiously isolated in one of the vast stuccoed rooms of the Castello. Giacometti's poignant and austere works seeming strangely to gain in impact from the improbable setting. A fascinating side-show to the main exhibition is Giacometti as seen by photographers, including 120 photographs of the artist by family, friends and masters such as Hans Ray, Charles Sisson, Ernest Schindler and Brand, covering his life from the age of eight up to his funeral. Until Feb 26.

New York

Metropolitan Museum of Art, More than 100 works by south-west American artist Georgia O'Keefe covers the range of her career, focusing on her influential abstracts, flower paintings and stark desert landscapes. Half of the works are from the estate of the artist, who died in 1985. Ends Feb 5. Nakhshkhat Gallery, Out of more openness in Moscow and better US-Soviet relations, Edward Nakhshkhat now has a New York gallery devoted to Russian art (and in the spring will open a gallery in Yokohama). The first New York show comprises more than 200 paintings, drawings and decorative objects from the Pushkin era, borrowed from Leningrad and Moscow museums. 1015 Madison Av at 86th St. Ends Feb 20.

Washington

National Gallery of Art, Cleanse the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Giacometti's proto-avant-garde techniques from 1929 to 1972. Ends April 30. Hirshhorn Museum, Part of a four city US tour of the contemporary American artist Gerhard Richter, the retrospective of the 52 year old artist has raised American appreciation of his figurative and abstract periods with 44 paintings as well as an installation piece based on colour photos and two objects. Ends Feb 12. Tokyo National Museum, Treasures from the Nimaj Temple in Kyoto. This Zen temple was founded in 898, but most of its present buildings date from the 16th century. The temple is a recognised centre for the gentle arts of the tea ceremony and flower arrangement and its treasures include beautiful gilt Buddha statues, lacquerware and porcelain from the Heian period. Begins January 31. Closed Mondays. Striped Horse Museum, Exhibition of paintings by Kiyoshi Kozumizu, third son of the late 19th century writer, Lafcadio Hearn.

FINANCIAL TIMES

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Friday January 27 1989

Lawson versus Delors

THE FUTURE shape of the European Community has become the subject of a vigorous debate between Mr Jacques Delors...

secured UK participation in the multi-fibre arrangement, the high levels of assistance given in UK farming, or even the protectionist Community anti-dumping policy.

Unconvincing

Mr Lawson asserts that "subject to the overriding need to bear down on inflation, we fully accept the advantages of reducing currency fluctuations."

The monetary sovereignty on which Mr Lawson insists is a license to depreciate the currency. Since 1982, when sterling went off the gold standard, the purchasing power of the pound has fallen no less than 26 times...

Merck is given highest marks for managing its \$650m-a-year research effort tightly and tying it closely to the marketing of drugs.

Protectionism

Mr Lawson is justified, too, when he stresses the dangers of protectionism. He also identifies an itch for unnecessary regulation at the Community level, which the British Government is right to prevent the Commission from scratching.

Because of stiff government regulations on drug safety, new medicines are time-consuming and expensive to develop. While so many established products in the market, the cost of searching out new drugs has reached 10-15 per cent of most companies' turnover...

London's rail future

IN PUBLISHING the Central London Rail Study, Mr Paul Channon, the Transport Secretary, has taken the first, and probably decisive, step towards solving London's chronic congestion problems.

In both cases would be around £2bn. Either package, it is argued, would eliminate around 95 per cent of the congestion not dealt with by the upgrading programme.

The Full Cross scheme looks marginally more attractive since it is cheaper and offers a higher ratio of benefits to costs. But either would be welcome improvement. The chances that the capital spending involved would prove unnecessary look minimal.

How to pay

The knotty issue is how to pay for all this desirable investment. Mr Channon, unlike the 19th-century creators of the Underground, does not want to lose his shirt. He is prepared to make grants where there are sufficient non-user benefits (for example reductions in road congestion) and will try to extract cash from developers who stand to benefit from enhanced land values.

The study has only one serious drawback: its narrow terms of reference. It does not make sense to analyse rail congestion in isolation. Ideally, Mr Channon should have commissioned a study of London's overall transport needs - in other words looked at cars and buses as well as trains. He should have analysed the costs and benefits of market-based solutions to congestion, such as road pricing. It is hard to believe, however, that such a wider study would not have reached similar conclusions on the need to invest heavily in rail infrastructure.

James Buchan and Peter Marsh examine the spectacular success of the world's biggest pharmaceuticals group

The winning mix in drug research

Dr William Campbell is a senior research biologist at Merck, the US company which is, by a wide margin, the world's biggest pharmaceutical group. In 1981, after six years of research and development, he brought to market a drug called Ivermectin which has revolutionised the treatment of cattle against parasites and provided more than \$1bn (\$564m) in sales.

Another key to Merck's approach is a close involvement by marketing staff in new research projects. "There are continuous meetings between scientists working on a new product and the people who will eventually sell it; this ensures that when the drug comes to the market it will meet a real need," says Mr John Lloyd Huck, who worked for Merck for 28 years, finally as company chairman, before retiring in 1985.

Dr Campbell - an expatriate Irishman with a hint of burr in his voice - is among a team of 80 research scientists who work on animal health at Merck's main laboratories in Rahway, New Jersey, and who cost the company more than \$8m a year.

Despite Dr Campbell's cheerful admission that the team is "a very long way" from finding a successor to Ivermectin, he says he is given a free rein: "One of the wonderful things about Merck I've found is that nobody looks over my shoulder."

You don't have to be at Merck long to hear the word wonderful. The company's annual drug sales of more than \$3bn are some \$1bn more than those of its nearest rivals, Britain's Glaxo, Ciba-Geigy of Switzerland and Hoechst of West Germany.

Merck's success was highlighted three days ago when it reported net income for last year of \$1.2bn, a 33 per cent rise on 1987. The company is worth almost as much on the stock market as the Ford Motor Company and more respected (according to a Fortune magazine survey) than International Business Machines - both of which are much bigger companies.

Merck is given highest marks for managing its \$650m-a-year research effort tightly and tying it closely to the marketing of drugs. Bringing these two sides of the business together is an increasing preoccupation for the \$120bn-a-year world pharmaceuticals industry.

In the 1970s, F. Hoffmann-La Roche of Switzerland and - more recently - the US's SmithKline Beckman both spent heavily on pharmaceutical development but with far less commercial success than Merck. And Glaxo - the drugs company which has had the most rapid rise to prominence in the past decade, largely thanks to its Zantac anti-ulcer formulation - has done this with a relatively small R&D budget.

Merck's way of handling R&D can be seen most clearly at its Rahway complex, a neat 210-acre expanse of brick buildings and lawns which looks like a university campus but for the piping that winds round the buildings from a pilot chemical plant.

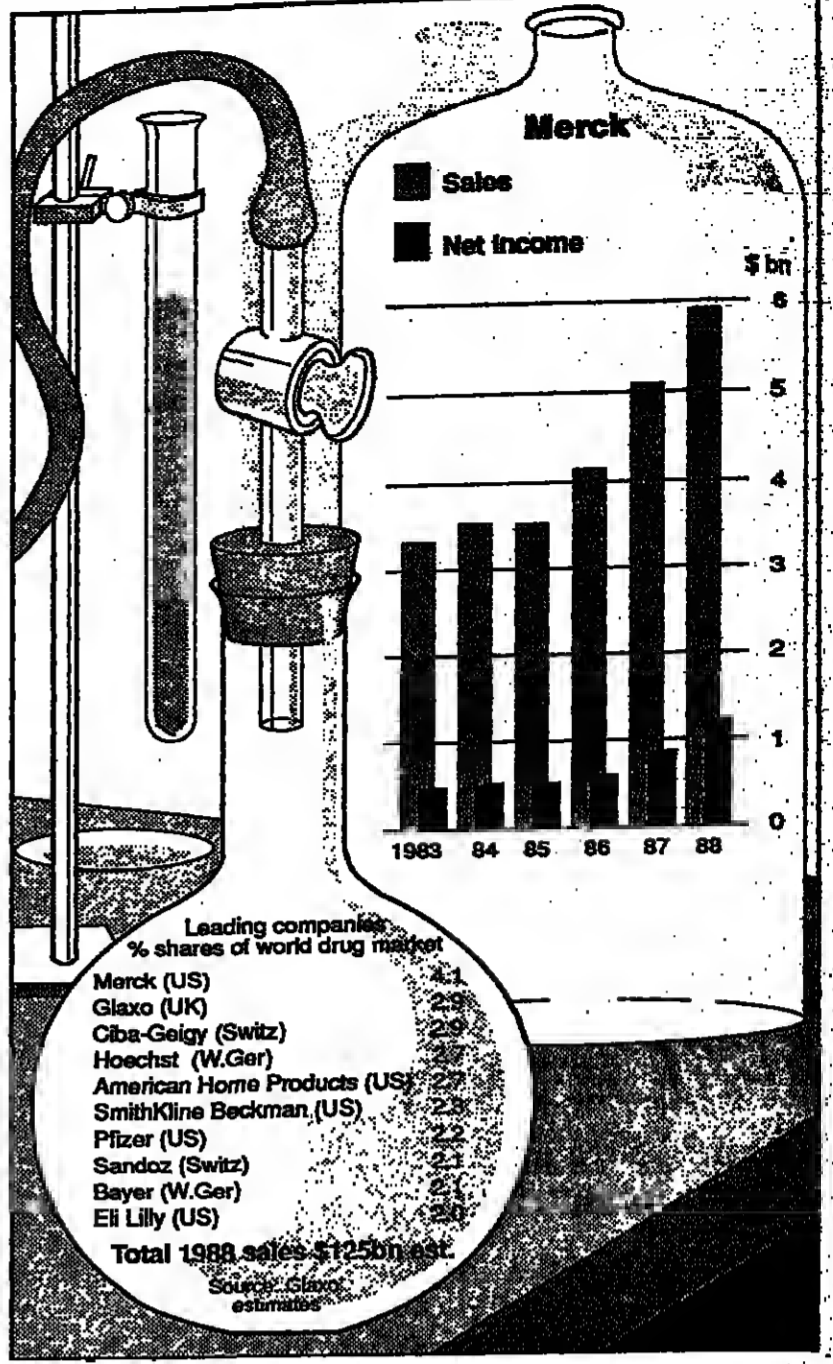
Rahway's 1,700-odd scientists get the lion's share of the company's R&D spending and it shows in the glittering array of computers, centrifuges, gene synthesizers and other expensive gadgets that are piled one above the other in the laboratories.

Merck is given highest marks for managing its \$650m-a-year research effort tightly and tying it closely to the marketing of drugs.

Merck is given highest marks for managing its \$650m-a-year research effort tightly and tying it closely to the marketing of drugs

the build-up of cholesterol in arteries which can lead to heart attacks; and of Vasotec, a medicine for high blood pressure which is Merck's biggest seller since 1984.

Merck can also be ruthless. It will quickly drop a project that shows no promise. "We're not in this business for charity," says Mr Stanley Fiedler, head of research planning. "Our whole industry is guilty of letting research projects go on too long."



Leading companies' % shares of world drug market

Merck (US) Glaxo (UK) Ciba-Geigy (Switz) Hoechst (W.Ger) American Home Products (US) SmithKline Beckman (US) Pfizer (US) Sandoz (Switz) Bayer (W.Ger) Eli Lilly (US)

Peace comes to Oxford

The Oxford Union has traditionally gone in for full-dress debates, for or against a motion. Recently it has developed an additional format under which a single speaker is invited to give his views. Last October it was Jimmy Carter, a former US President.

Carter addressed a joint meeting of the Union and the University Middle East Society, his Camp David agreement on the Middle East being the achievement for which he is most remembered. He suggested that if they wanted to hear a moderate and reasonable Palestinian voice they invite Bassam Abu-Sherif, an adviser to the PLO Chairman Yassem Arafat.

For another, there was a conspicuous lack of hostile demonstrations. The Oxford University Jewish Society did telephone the organisers to protest, but their complaint was that they had not received an invitation to the meeting.

Lone Pandolfi

Perhaps there are too many bureaucrats in Brussels, after all. Filippo Pandolfi, the new Italian Commissioner who has responsibility for science and telecommunications, has been getting by on a staff of only two temporary advisers.

Etiquette

There is a lot to be said for the convenience of business reply cards accompanying invitations to official events. Yet it is surely pushing it a bit to be expected to sign your name under the printed words "... is delighted to accept."

Dr Howells

After losing the by-election in Govan to the Scottish Nationalists last November, the Labour Party is plainly determined to put up heavyweights in future campaigns. The shortest for the by-election pending in Pentyrchid included a deputy headmaster, an NHS scientist and Ivor Richard, a former European Commissioner, as well as Kim Howells, the eventual winner.

Cafe closed

Who says NATO cannot take decisions? Yesterday it decided to drop the acronym for the talks on Conventional Armed Forces in Europe. Diplomats said that the term "cafe" was too frivolous and, because the talks are being held in Vienna, the Vienna Cafe was all too much.

Superiority

"Are women really equal to men?" is the title of a discussion advertised at a Berkshire club. Someone has written underneath: "Women are equal to anything."



"Stop complaining - at least you didn't have to pay me."

Danish Volvo

The Danes are planning a major trade campaign. Denmark in Britain, to be launched by Queen Margrethe in London in April. They cannot be too pleased, however, about the results of their preliminary research.

Cafe closed

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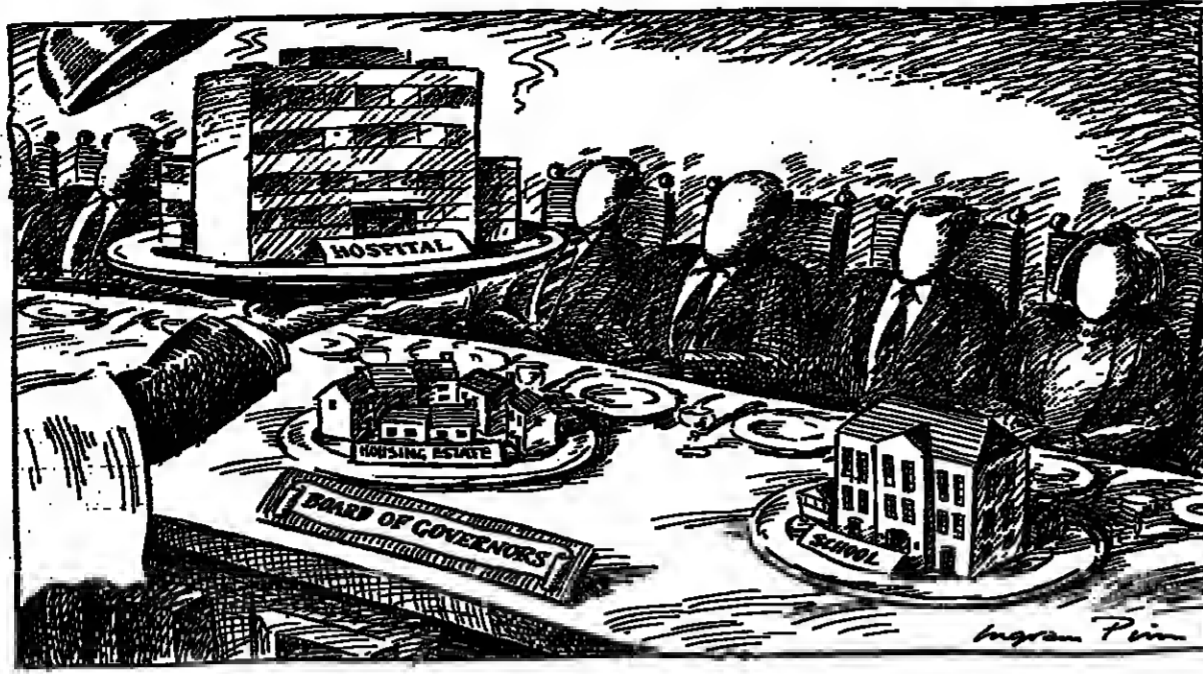
Superiority

"Are women really equal to men?" is the title of a discussion advertised at a Berkshire club. Someone has written underneath: "Women are equal to anything."

Advertisement for TYNE & WEAR Development Company, featuring a 'JANUARY SALE!!' and contact information for Terry Gorman (Marketing) at (081) 4150005. The ad includes a logo and a map of the company's location in Uxworth Hall, District 12, Washington.

POLITICS TODAY

Walk with care. There are bogs everywhere, and more to come. This warning applies to Britain and not, as you might think, Ireland.



Tories' bogland may prove treacherous

By Joe Rogaly

Seen from Downing Street, Mrs Thatcher's first decade in office divides into three unequal periods. The first inflation was brought under some sort of control, the trade unions were put in their place and the broad lines of macroeconomic policy were set.

neural headmasters/housing managers/hospital directors take responsibility for their own budgets. Looked at this way, the Bog Strategy is indeed clever.

mistic of the Thatcherite thinkers behind this strategy is willing to forecast that it will tip the balance against the core Welfare State.

Mr Jackson, that would mean moving towards the financial structure of US state universities, which are heavily subsidised but which nevertheless charge fees.

LOMBARD

The Emperor revisited

By Jurek Martin

THERE WERE good reasons to look forward to Edward Behr's "personal investigation" on television into the late Emperor Hirohito.

onstrates. He highlights not only a series of specific errors and omissions, particularly over the circumstances preceding Pearl Harbour, but also, and most critically, the absence of any attempt to explain how the Japanese Government actually worked before and during the last war.

LETTERS

Trouble with takeover bids in 1992

From Mr Ian N. Tegner. Sir, I read with interest Allen Sykes's article on bid-proof companies (January 4).

bid-proof. This is not because of any legal or nationalistic aversion to takeovers but simply as a structural consequence of long-standing custom and practice, resulting in relatively small equity markets.

there is a real possibility that UK companies will be at a serious disadvantage in making the sort of rationalisation or major takeover bids which may be needed to establish effective positions within the Single European Market.

A loyal relationship

From Mr John Groat. Sir, The editorial "Loyalties in banking" (January 18) raises many questions than it answers.

What, for example, do you mean by "traditional banking relationships" and "transaction-based banking"?

Investment incentives for manufacturing

From Mr A.J. Gooding. Sir, I share Roy Grantham's concern (Letters, January 13) about the need to encourage investment in the manufacturing industry.

an industrialist would now know beforehand what he was entitled to claim - and would not therefore be in a position to appraise the proposed investment properly.

With 1992 and the Single Market fast approaching, there is no time to be lost in ensuring that UK industry becomes much more competitive.

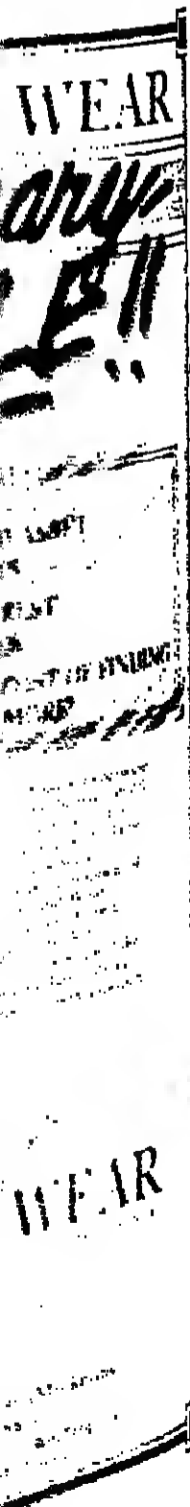
Calling for a comprehensive food policy

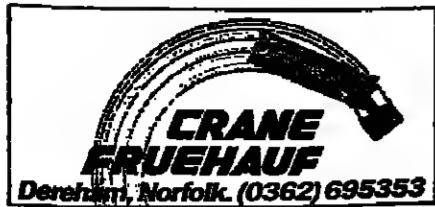
From Mr Dennis Landau. Sir, I read with interest, but also with some dismay, Bridget Bloom's article (January 26) on the storm now raging around Mr John MacGregor and his Ministry of Agriculture, Fisheries and Food.

food chain, from agriculture to the factories and shops and, indeed, right through to the dietary and health concerns of the consumer.

more effective research, possibly even at lower overall cost than at present. I do not suggest that the development of such a policy is a simple task.

Securing the Nation's Investments. People and property are your company's shareholding in the future: do not compromise on their protection. Britannia Security Group PLC is an international, broadly based security and business services company with a philosophy of quality, service and value for money.





Moscow launches Chernobyl clean-up plan

By Quentin Peel in Moscow

THE RUSSIAN Soviet Politburo has unexpectedly announced a new campaign to cope with the consequences of the Chernobyl nuclear disaster, nearly three years after the event...

names, with one quarter of the territory had been polluted by radio-nuclide fallout...

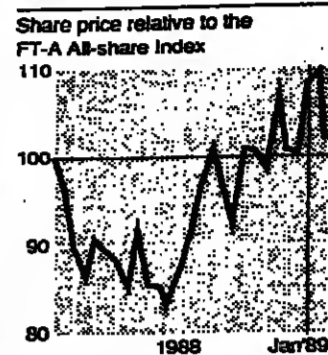
ment departments... to take additional measures for continuing work on eliminating the consequences of the Chernobyl accident...

lowing the decisions to halt work on another in Azerbaijan, close down the nuclear station at Yerevan in Armenia...

A new brand of confusion

The official position on the brand valuation debate is becoming faintly absurd. Yesterday morning saw the Accounting Standards Committee strongly discouraging companies from valuing intangibles...

Ferranti

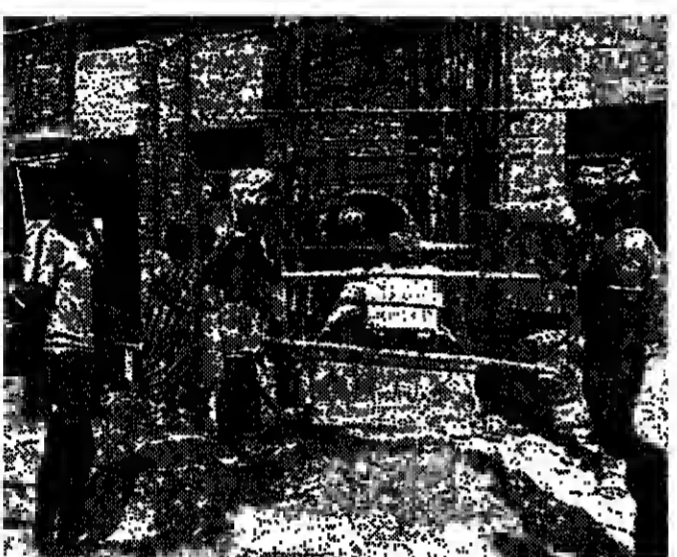


interest cover in year one would be only 2.1 times, and despite an extra £15m added to the balance sheet...

Feeding the hand that bites you

K.K. Sharma reports on the burdens of corruption in India

PRIBHU SINGH barely ekes out a living for himself and a family of eight from six acres he owns in a village in the north-western Indian state of Haryana...



Workers on a building site at Santa Cruz, India

What has blocked the sale is the elaborate bureaucratic process of making the sale and the number of palms of petty officials that Piribhu must grease to push it through...

each week for sterilisation as part of his chores to carry out the national family planning policy. Before he approves the sale, he will ask Piribhu to produce five volunteers for sterilisation...

artificial shortages of almost every consumer item or service, the total amount in keeping artificial shortages going. There is also a premium on jobs which are worth a great deal in terms of the bribes they attract...

Bérégovoy orders insider trading inquiry

By George Graham in Paris

MR Pierre Bérégovoy, the French Finance Minister, yesterday ordered a stock exchange regulatory authority, the Commission des Opérations de Bourse, to investigate insider trading in the shares of Société Générale, the privatised bank...

Brussels rebukes Lawson over EC plans

By William Dawkins in Brussels and Peter Norman in London

THE EUROPEAN Commission yesterday delivered a sharp rebuke to the attack by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, on Wednesday night against proposals for European Community economic and monetary union...

Commission President, which is due to report in April. It will be debated again by EC leaders at their next summit at Madrid in June.

provoked anger in Brussels, they prompted a sympathetic echo among many of the EC central banks represented on the 17-strong Deputies Committee of EC central bank governors and outside experts.

tial president of the West German Bundesbank, has warned repeatedly that the creation of a central bank and common currency should "crowd" a long process of EC economic and monetary integration.

Rail tunnels planned to ease London congestion

Continued from Page 1

Bill in the House of Commons in November, providing agreement on funding can be reached. The Government wants most of the cost to be met by passengers, through fare increases, and property owners, who would benefit from development gain.

road congestion. No private sector contributions have yet been offered. The new lines are unlikely to open before 1997, even if agreement on financing can be reached quickly.

Channon had "run away" from the solution to London transport problems presented by the report. Sir Robert Reid, British Rail chairman, said the report was "a good basis on which to build the next stage of detailed study."

The report says the £1.5bn investment programme should increase station capacity on the Underground, pay for longer trains on BR's overland commuter services, and increase the number of trains through better signalling.

Table with columns for city, temperature, and other weather-related data under the heading 'WORLD WEATHER'.

End of an era as Milken is sacked

Continued from Page 1

unusual, almost spooky, position for control of the people he deals with. In his heyday in the early 1980s, he could induce both sides of the street to do his bidding.

As early as 1983, SEC and Justice Department investigators suspected that Mr Milken was playing both sides of the corporate street. The burden of their case is that he used his privileged knowledge of corporate transactions as a bond underwriter to profit from the firm's trading activities.

The big question is this: will Mr Milken fight or settle? People who know him say that he believes he has done nothing wrong but he could still settle.

Advertisement for 'European Capital Markets' featuring a cover image and text: 'DISCOVER THE STRATEGIC OPPORTUNITIES IN EUROPE'S CAPITAL MARKETS'. Includes details about the report's content and contact information for The Economist Publications.

YOU CAN SEE WHY OUR PROFITS ARE UP. YOU JUST HAVE TO READ OUR STATEMENT.

For the full picture, read both. Read our annual statement of profits, and our perennial statement of principles.

First, the results for the twelve months to October 31st 1988, as announced by First National's Chairman, Richard Langdon.

"We are pleased to report very satisfactory progress making 1988 another record year.

"Profits before tax at £68.7 million are up by 29% compared with the previous year.

"The current results include a proportionately higher provision for taxation than last year due to a lesser effect of currently available tax losses against increased profits.

"Earnings per share at 35.2p are up by 14% compared with the previous year, after allowing for the increased effect of the tax charge this year.

"Having regard to the Company's consistent profit growth over a number of years and its substantial shareholders' funds, we consider that it would now be appropriate to allocate a higher proportion of available profits in dividends to shareholders, whilst maintaining

adequate cover. We are therefore recommending a final dividend net of tax credit of 8.0p per share making a total of 11.5p per share for the year.

"This is 31% higher than the total for last year.

"Earning assets at the year end

Our "First Principles" embody the answer. A précis of what analysts mean by the abstract phrase "strong management", they represent qualities which will increasingly be valued as less experienced competitors seek to enter the consumer credit market.

This is currently our largest business, and its health relies on the way in which our central principle "be rigorous in credit vetting" is put into practice.

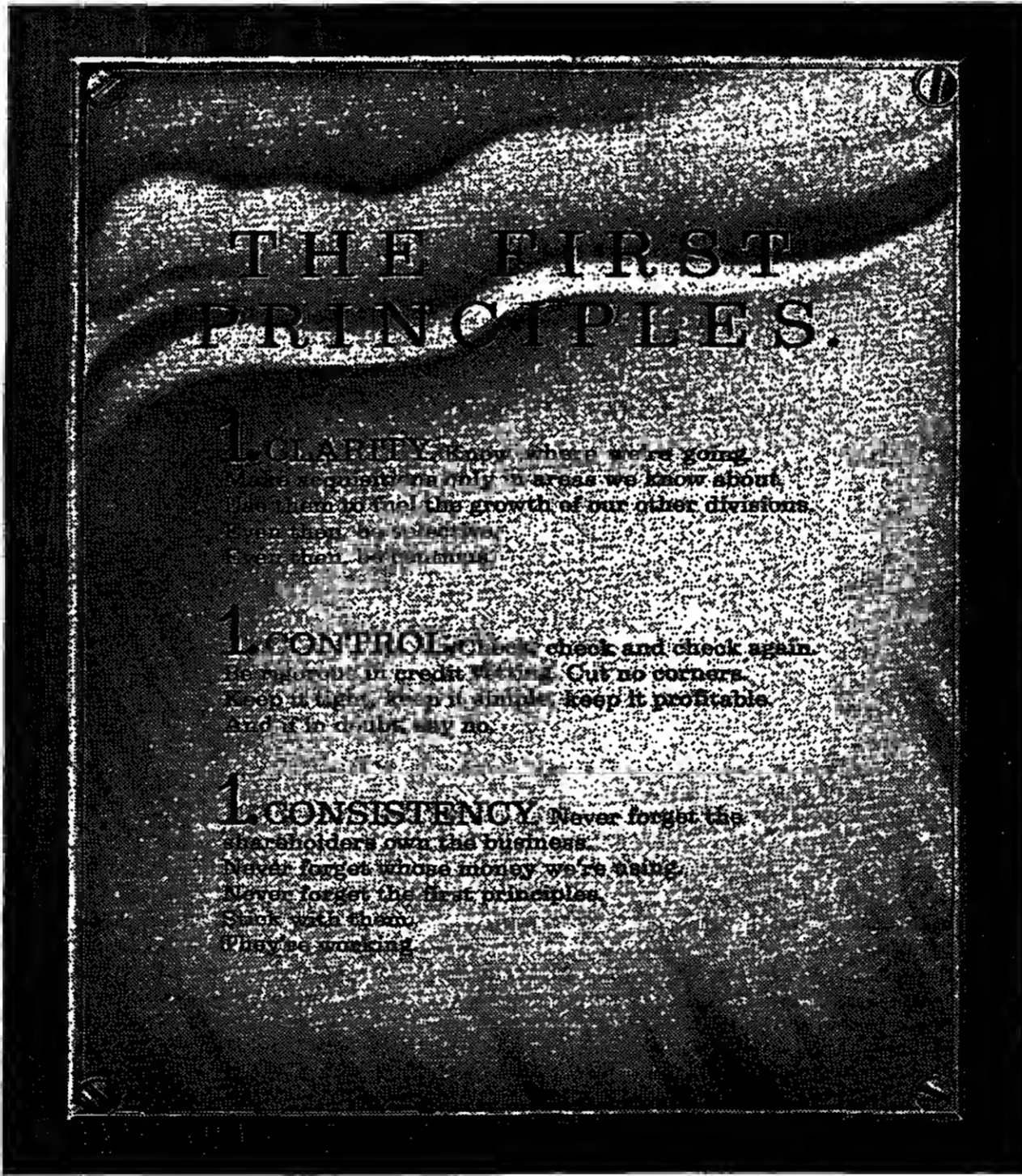
We have more than 300,000 borrowers, all of whom are home owners. In assessing the prospective customer's ability to repay the loan, we spend three times the industry average. As a result we have an enviably low bad debt record.

But not all our business is in consumer credit. Over a third of our profits come from commercial lending and property development.

In addition variable-rate lending protects First National from rises in interest rates.

It is our growing strength which has permitted us to increase the dividend, allowing our shareholders to enjoy more of the success they have helped to build.

That, too, seems a worthwhile principle.



total over £1,300 million compared with £1,000 million at the end of last year and we expect further prudent growth in 1989".

This 29% rise is the fifth large increase in a row. In a supposedly unpredictable world, what accounts for such predictability? Is it luck, or is it judgement?



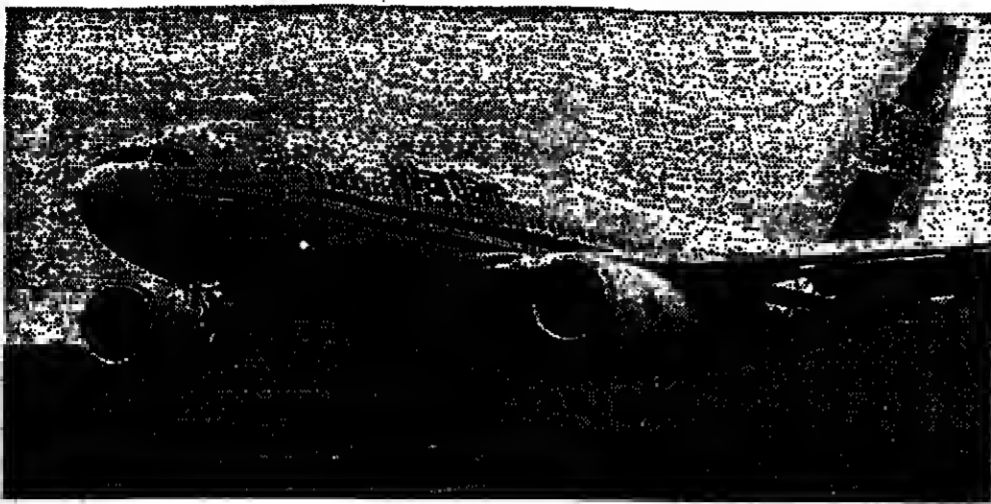
Vertical text on the left margin: 's licence da bank', 'y charges', 'imps 25%', 'Strong adv at Jeffere Smurfit', 'banks ed bonds', 'Price 100%', 't Banks'.

INTERNATIONAL COMPANIES AND FINANCE

Canada air deal may end price war

David Owen on the thinking behind PWA's takeover of Wardair

In 1945 Mr Russell Baker, an obscure bush pilot, launched Pacific Western Airlines, a company whose primary function was to fly forest-fire patrols for the British Columbia government.



The Wardair fleet of Airbus A310s fits awkwardly with CAI's Boeing 737s and may be sold

Now PWA, the parent of Canadian Airlines International (CAI), is to swallow its smaller Edmonton-based rival. To the chagrin of consumers, the deal is expected to bring down the curtain on an 18-month period of cut-throat competition and tumbling ticket prices on Canadian routes.

It was the sheer depth of the discounting that put paid to Wardair's audacious plans to lure passengers away from the bigger airlines through a combination of lower prices and better service. Though the strategy was working, it was driving the company into the red.

The former charter airline was further handicapped by having to cobble together a reservation system, and by its lack of a captive network of commuter airlines to feed passengers to its longer-haul flights.

leader. Air Canada controls about 52 per cent of the domestic market, against 49 per cent for the combined CAI-Wardair. What is more, the two fully private airlines have been gaining ground, aided by Air Canada's restricted access to capital. Prior to the merger, they were adding seats so fast that they were expected to overtake Air Canada in terms of overall seat capacity (16,650 to 15,200) by the end of this year.

In at least one respect, however, the post-deal PWA will be at a marked disadvantage to its remaining rival. The company will be attempting to carry a debt load of C\$1.5bn, according to analysts' preliminary calculations, on a C\$600m equity base. This will make it nearly twice as highly leveraged as Air Canada. "I would not be totally comfortable with that debt load," says Mr Frederick Larkin, an analyst with Alfred Bunting.

In the longer run, PWA executives have hinted, they would like to ease the position by issuing fresh equity. Market reaction to the deal appears likely to facilitate such a strategy. Shares both in Air Canada and in PWA responded very positively to the news. Canadian airline stocks have been trading at a marked discount to book value since the industry's boom of attrition began.

More immediately, attention is likely to focus on cutting costs and improving cash flow. About one third of Wardair's 4,500 staff can expect eventually to lose their jobs, according to Mr Ward. On the revenue side, meanwhile, PWA will no doubt be helped by the higher ticket prices likely to result from removing Wardair from the competitive equation. It will benefit too from the integration of Wardair's strong hand of international routes. The

carrier currently handles about a third of passenger traffic between Britain and Canada, and has the right to fly into Lyons and Nice. Asset disposals and prudent capital expenditure plans are also thought to be in the offing as PWA reconciles its abruptly expanded aircraft inventory with anticipated future needs. Wardair fleets appear peculiarly ill-matched, having absolutely no overlap in terms of aircraft type. Wardair's main immediate contribution takes the form of a dozen brand new Airbus A310s and three ageing jumbo jets. CAI mainly oper-

ates Boeing 737s and 767s. Since the consummation of the deal, Wardair has moved quickly to cancel a C\$600m order with McDonnell Douglas for 16 MD-80 aircraft, as well as orders for two more A310s. Furthermore, the company has told Holland's Fokker that options on 24 Fokker-100s are unlikely to be taken up. (CAI last summer ordered 17 Airbus A-320s, taking options on a further 17.)

Though Mr George Cunley, Wardair president, has said that he does not expect the company to sell any existing planes, some observers believe that the valuable A310s, worth up to C\$60m per unit second-hand, could be prime candidates for disposal. "Not many carriers in the world would operate both A310s and 767s," says Alfred Bunting's Mr Larkin.

With Air Canada waiting in the wings, the pressure is on PWA to accomplish its reorganisation smoothly and quickly. In this connection, it is perhaps encouraging to note that Mr Eytan did not get where he is today without displaying a certain knack in this regard.

In 1987, he oversaw the formation of CAI through the amalgamation of four smaller airlines. The experience of melding these self-contained entities into a national carrier can hardly fail to stand him in good stead as he attempts to integrate Wardair.

Extra dividends for NAB shareholders

By Chris Sherwell in Sydney

SHAREHOLDERS IN National Australia Bank (NAB), the country's third largest in terms of global assets, are to receive a further rise in their already increased dividends following a bank decision to lift its payout rate on 1987-88 earnings close to 80 per cent.

The move, announced yesterday at the bank's annual general meeting in Melbourne, will come through a special cash dividend of 10 cents a share in March. It follows a 50 cent per share dividend declared in November, which represented a payout ratio of 65.4 per cent, itself a sharp rise from the previous year's 55.3 per cent.

Behind the improvement lies the Canberra government's introduction of dividend imputation, under which dividends are treated as if they were tax-paid company profits. This has allowed the shareholder's hands as income, but are instead credited against shareholder's personal tax liability.

Also important for the increase is NAB's own innovative dividend scheme approved last year, under which dividends can be paid in the form of scrip as well as cash, taken as "unranked" bonus shares or reinvested in the bank. In November, at the end of a record trading year, NAB's 50 cents a share payout comprised 32 cents cash and 18 cents scrip. However, because some shareholders took unranked bonus shares, and because the bank was conservative in its original estimate of available credits, it has lifted its payout further.

This special dividend is consistent with the board's policy of distributing all available franking credits to shareholders. Sir Rupert Clarke, NAB chairman, told the meeting. The payout ratio is thought to be one of the highest on the Australian corporate scene.

The addition will be fully franked, and shareholders are invited to reinvest it at a 7.5 per cent discount on market price, or take unranked bonus shares at a 10 per cent discount on market price. The bank meanwhile continues to expect further growth in earnings in the current year, despite more difficult business conditions.

Bank of East Asia lifts post-tax profit 25.1%

By John Elliott in Hong Kong

BANK OF East Asia, Hong Kong's largest family controlled bank, yesterday reported consolidated profits after tax and transfers to inner reserves for 1988 of HK\$280.2bn (US\$35.9bn), a 25.1 per cent increase over the previous HK\$223.9bn.

The results, which were accompanied by the announcement of a one-for-four bonus share issue, exceeded some market expectations. The level of just over 25 per cent was also regarded by analysts as a promising start to Hong Kong's annual season of final results, which traditionally begins with Bank of East Asia's figures. The special nature of the results is muted by Hong Kong banks' freedom to transfer undisclosed sums to inner reserves, which enables them to mask actual performance. Some analysts nevertheless suggested the results helped

lift late afternoon property and bank share prices on the Hong Kong stock exchange, where there had been some early falls following a property auction on Wednesday.

Mr E.C. Chan, company secretary of the bank, which is controlled by the Li family, said the improved profits were the result of growth in trading finance business, and property and syndicated loans. Some analysts suggested the bank probably trimmed its latest secret transfers to inner reserves in order to finance a bonus of 10 cents per share announced yesterday to mark the bank's 70th anniversary. This bonus was in addition to a final dividend of 50 cents per share which, together with 25 cents paid last October, brought the total dividend for the year to 75 cents. The 1987 figure, adjusted for the bonus issue, was 63 cents.

U.S. \$400,000,000 The Kingdom of Belgium Floating Rate Notes Due 1996 In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 27th January, 1989 to 27th July, 1989 the Rate of Interest on the Notes will be 9 7/8% per annum.

The Prudential Insurance Company of America U.S. \$500,000,000 Collateralized Mortgage Obligations Series 1986-1 For the period 25th January, 1989 to 27th February, 1989 the Bonds will carry an Interest Rate of 9 7/8% per annum with an Interest Amount of U.S. \$236.62 per U.S. \$50,000 (the original Principal Amount) Bond, payable on 27th February, 1989.

SAATCHI & SAATCHI FINANCE N.V. Registered Office: Schotengatweg-Oost 130, Soesterberg, Curacao, Netherlands Antilles NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS Notice is hereby given that the Annual General Meeting of Shareholders of SAATCHI & SAATCHI FINANCE N.V. (the "Company") will take place at the registered office of the Company on February 3, 1989 at 9.30 a.m.

Ingersoll-Rand Company Woodcliff Lake, USA has acquired through its subsidiary Ingersoll-Rand Investment Company S.A. Fribourg, Switzerland all the shares of Ing. G. Klemm Bohrtechnik GmbH Drolshagen, West Germany and of Dr. Ing. G. Klemm Bohrtechnik, Engineering & Consulting AG Seeb-Winkel, Switzerland

INTERNATIONAL BUSINESS COMMUNICATIONS (Holdings) plc ("IBC" or "The Company") Tender Offer to purchase up to 40 per cent. of the Ordinary shares of IBC A tender offer enabling shareholders to tender all or part of their shareholdings at a price of 150p per share through The Stock Exchange will open on Friday, 27th January, 1989 and close at 12.00 noon on Friday, 10th February, 1989.

U.S. \$100,000,000 Fortune Federal Savings and Loan Association Collateralized Floating Rate Notes Due 1992 Interest Rate 9 7/8% per annum Interest Period 27th January 1989 to 27th April 1989

Wells Fargo & Company \$60,000,000 Floating Rate Subordinated Notes due January 1994 In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 26th January, 1989 to 26th April, 1989 the Notes will carry an Interest Rate of 13 1/4% per annum.

FIRST CITY BANK CORPORATION OF TEXAS, INC. U.S. \$100,000,000 Floating Rate Notes due January, 1995 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period 26th January, 1989 to 26th April, 1989, has been fixed at 9 3/4% per annum.

CVAS LIMITED U.S. \$100,000,000 General Floating Rate Notes due 1995 Interest Rate 8 7/8% p.a. Interest Period January 27, 1989 to July 27, 1989. Interest Payable per U.S. \$100,000 Note US\$4,922.08

INTERNATIONAL CAPITAL MARKETS

Treasuries gain despite strong goods orders data

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds yesterday managed small gains despite the release of much stronger than anticipated US durable goods orders figures for December.

At mid-session, bond prices were quoted as much as 1/2 point lower at the long end of the yield curve but prices rallied during the afternoon to stand as much as 1/2 point higher at the short end.

Another modest negative for the market yesterday were weekly unemployment claims figures showing a rise in claims of 27,000 in the week to January 14.

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Maturity, Bid Price, Price Change, Yield, Week Ago, Month Ago. Includes UK Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, Australia.

BAT lifts sterling CP programme to £500m

By Katharine Campbell

BAT INDUSTRIES yesterday announced the extension of its sterling commercial paper programme to £500m from £200m.

Also in sterling commercial paper, AMT Healthcare group have established a new £75m programme.

The programme's dealers are to be Barclays de Zoete Wedd, Kleinwort Benson, Kyowa Finance International, Morgan Grenfell.

Becalmed after Atlantic crossing

Norma Cohen on New York's poor reception of French bonds

France's widely touted effort to broaden the market for its government bonds, by packaging them into American depositary receipts (ADRs) to allow them to be traded on the New York Stock Exchange, has had a poor reception.

According to data from the NYSE, the two separate issues of ADRs - the first ever introduced by a foreign government for its own bonds - have had only one or two trades apiece since the securities were launched with much fanfare in September 1988.

CEDEL, the international securities clearing house set up in Luxembourg in 1970 by a consortium of banks, claimed yesterday that it had significantly increased its market share last year.

Mr Warner concedes that some operational hitches may have occurred at the outset of the programme that, with hindsight, could have been avoided.

Mr Warner also said the US brokerage houses enlisted to help sell the securities had not been promoting their sale.

Of diversification followed in the last few years has resulted in an excellent performance in 1988.

Cedel claims market share rise

By Andrew Freeman

CEDEL, the international securities clearing house set up in Luxembourg in 1970 by a consortium of banks, claimed yesterday that it had significantly increased its market share last year.

Of diversification followed in the last few years has resulted in an excellent performance in 1988.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: Equity Groups, Sub-sections, Index, Day's Change, Est. Earnings Yield, Gross Dividend Yield, Est. P/E Ratio, Ytd. % Change to Date, Index, Day's Change, Est. Earnings Yield, Gross Dividend Yield, Est. P/E Ratio, Ytd. % Change to Date.

RISES AND FALLS YESTERDAY

Table with columns: British Funds, Dominion and Foreign Bonds, Industrial, Financial and Properties, Plantations, Mines, Others.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Latest, High, Low, Closing Price, % Change.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest, High, Low, Closing Price, % Change.

LONDON TRADED OPTIONS

Table with columns: Option, Calls, Puts, Bid, Ask, Last, % Change.

FIXED INTEREST

Table with columns: Issue, Maturity, Bid Price, Price Change, Yield, Week Ago, Month Ago.

AVERAGE GROSS REDEMPTION YIELDS

Table with columns: Issue, Maturity, Bid Price, Price Change, Yield, Week Ago, Month Ago.

TRADITIONAL OPTIONS

Table with columns: Issue, Maturity, Bid Price, Price Change, Yield, Week Ago, Month Ago.

COMMODITIES AND AGRICULTURE

Cocoa agreement talks remain in deadlock

By David Blackwell

THE INTERNATIONAL Cocoa Agreement talks last night remained in the deadlock which has left the pact effectively frozen for the past year.

On Wednesday he said that a consumer proposal for a retrospective cut in the range of prices to be defended was "a last effort to reactivate the agreement."

The maximum permissible 250,000 tonnes, and the plan for a withholding scheme to take a further 120,000 tonnes from the market remains stymied by both the lack of funds available and the failure to agree a defence price range.

Banana producers anxious about 1992

Canute James studies the implications of the EC's single market for the Caribbean

CARIBBEAN countries, which supply about seven out of every ten bananas eaten in Britain, have been reassured by the UK Government that their preferential access will be maintained after the EC dismantles internal trade barriers at the end of 1992.

CURRENT ARRANGEMENTS for the access of Caribbean bananas into the EC market were "sacred and untouchable" and any change could subject growing countries to Central American-style instability.

The current Lomé Convention, expiring early next year, promises ACP banana producers no deterioration in their EC market access.

At present some 20 per cent of EC banana supplies are imported - duty free - from former UK, French, and Italian colonies. Another 25 to 30 per cent comes from within the Community itself.

economically viable alternative. Diversification took time and cost money, said Mr Carl Greenidge, Guyana's Finance Minister and chairman of the ACP Council of Ministers.

Malaysian commodity earnings hit record

By Wong Sulong in Kuala Lumpur

EXPORTS OF Malaysian commodities last year rose by 10.5 per cent to a record 28.3bn ringgit (\$10.4bn), the Ministry of Primary Industries said in its annual review, published yesterday.

For the current year, the ministry said it saw a "mixed" outlook. According to Dr Lim Keung Yick, the Primary Industries Minister, prices of rubber and tin should remain firm.

Palm oil stocks rose 55 per cent in 1988

MALAYSIAN palm oil stocks rose 55 per cent last year, according to the Palm Oil Registration and Licensing Board.

However, the board's end-December figure of 785,000 tonnes was well below earlier estimates of 900,000 to 950,000 tonnes claimed by the Palm Oil Refiners Association (Poram).

Mr Patten told producers in the Windward Islands that Britain wanted to fulfil its "long-standing commitment to provide preferential access for bananas from the Caribbean."

Speaking on behalf of all ACP producers, the Dominican Prime Minister called on the EC to maintain the "banana protocol" in the new Lomé aid and trade convention between the 12 EC states and the ACP

countries. The current Lomé Convention, expiring early next year, promises ACP banana producers no deterioration in their EC market access.

At present some 20 per cent of EC banana supplies are imported - duty free - from former UK, French, and Italian colonies.

Mr Charles Maynard, Dominica's Minister of Agriculture, reflected the mood of the region, which falls somewhere between cautious optimism and growing concern, when he said: "We do not have to see Europe as a threat, but Europe has put us in a position where we continually see Stabex."

Stock valuation boosts forestry return

By James Buxton, Scottish Correspondent

BRITAIN'S Forestry Commission says that it beat the target rate of return set by the Government for its commercial forestry activities in the last financial year.

The Commission has been criticised in the past for its allegedly poor rate of return on assets. But it claims to have beaten the 3 per cent standard set for the rate of return of its forestry enterprise activities by £2.4m.

which £20.3m went to pay for its regulatory functions. The Forestry Commission says it is too early to say how the major changes in Government forestry policy introduced in the March 1988 budget will affect planting.

These earnings cannot be replaced and the fear is that if we do not get the right arrangements we could see the economic collapse of the Windwards. These changes must be measured in terms of the potential damage to the region.

Mr Erling Wirsing, the European Commission's director for Central and West Africa and the Caribbean, told a recent conference on Caribbean trade.

1992 will bring. Consequently, the present internal arrangements cannot be expected to continue.

European banana market and for a mechanism which will fix prices at a level which will allow a fair return for even the higher cost producers.

"This is very encouraging for us," said G. Stanley, St. Lucia's official. "At least we have a bankable guarantee on which we can plan our industry and our economy while implementing a paced diversification from bananas. But this will be countered by the extensive deregulation of markets in the Community since 1992. We await details of the British plan with some interest."

Brussels urged not to cut price for imported sugar

By David Buchanan in Bridgetown, Barbados

THE GROUP of 66 African, Caribbean and Pacific (ACP) states has warned the European Community against cutting the price for imported sugar in line with the Brussels Commission's recommended 5 per cent reduction in the price guaranteed to EC sugar beet growers for the 1989-90 season.

dependent for their entire existence. By a special sugar protocol in the Lomé aid and trade convention, the EC is committed to taking 1.3m tonnes a year of ACP sugar at a price which has in practice followed the internal EC price.

The Commission has suggested it will pay some compensation to ACP countries for any cuts. But Mr Raymond Charle, the ambassador of Mauritius, which alone accounts for 500,000 tonnes of the ACP sugar quota, noted that previous promises of compensation for the recent price freeze had not yet been fulfilled.

delivering on any new commitment. ACP sugar producers complain that the actual price they received last year, in the currency of the UK, which is the destination of most ACP sugar shipments, fell by 7 per cent because of changes in the exchange rate.

Mr Charles Maynard, Dominica's Minister of Agriculture, reflected the mood of the region, which falls somewhere between cautious optimism and growing concern, when he said: "We do not have to see Europe as a threat, but Europe has put us in a position where we continually see Stabex."

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange zinc market bounced to fresh records yesterday, following the previous day's brief setback. In the cash position Wednesday's \$17.50 fall was easily recouped with a \$40 rise to \$18,225.50 a tonne as traders refocused on the possibility of another prolonged strike in the Peruvian mining industry.

Table with columns: Commodity, Close, Previous, High/Low. Includes COCOA, COPPER, COFFEE, CRUDE OIL, and SOYABEANS.

Table with columns: Commodity, Close, Previous, High/Low. Includes LONDON METAL EXCHANGE, POTATOES, SOYABEAN MEAL, and FRIEDRICH FUTURES.

Table with columns: Commodity, Close, Previous, High/Low. Includes LONDON BELLION MARKET, GOLD, and PLATINUM.

Table with columns: Commodity, Close, Previous, High/Low. Includes CRUDE OIL, GAS OIL, and RUBBER.

Table with columns: Commodity, Close, Previous, High/Low. Includes CRUDE OIL, GAS OIL, and RUBBER.

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Table with columns: Commodity, Close, Previous, High/Low. Includes CRUDE OIL, GAS OIL, and RUBBER.

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LONDON STOCK EXCHANGE

Equities advance ahead of trade data

THE CONFIDENT progress of the equity market was in no way checked yesterday by any concern ahead of this morning's announcement of the UK trade figures for December.

Account Opening Dates table with columns for Account Opening Date, First Day, and Last Day.

There were further traumas from the unsuccessful attempt to take 15.8m Taylor Woodrow shares.

224.7m. The blue chip international was less prominent, however, and the second half of the session brought a revival of takeover speculation.

There was support for BAT Industries, despite doubts among some analysts regarding the basis for recent takeover speculation.

cast is for a deficit of around £1.5bn on current account, a very slender reduction on the November figure.

FINANCIAL TIMES STOCK INDICES

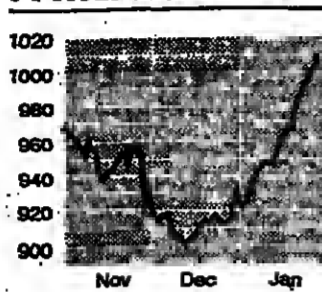
Table with columns for Jan 25, Jan 26, Jan 27, Jan 28, Jan 29, Jan 30, Year Ago, High, Low, and Since Completion.

Table with columns for S.E. ACTIVITY, Indices, and values for various sectors like Oil, Gas, and Chemicals.

Disposals to boost G Met

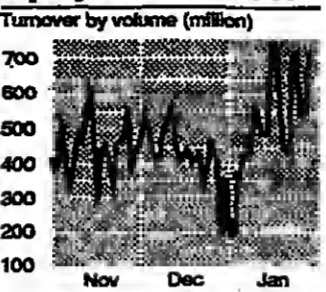
Activity in the traded options market early on - a UK broker was said to have exercised an option to buy 7m shares - sent shares in food, drinks and hotels group Grand Metropolitan firmly higher.

FT-A All-Share Index



increase of £500m in its commercial paper programme.

Equity Shares Traded



remained in the firing line yesterday.

Ferranti, which developed the CT2 technology, was again the focus of market attention, and was awarded one of the licences issued on Wednesday.

team says: "MBO or no MBO, the 'for sale' sign has come up outside Magnet's door and the stock is now in play."

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume for various major stocks including British Airways, British Telecom, and British Petroleum.

New Cadbury fever

After several weeks in the doldrums, Cadbury Schweppes bounced back as the shares soared 23 to 37p on turnover just short of 7m shares.

Woodrow decline

Taylor Woodrow, given a mauling on Wednesday on news that Hoare Govett, the securities house, and Hambros, the merchant bank, had bought P & O's near 10 per cent stake.

NEW HIGHS AND LOWS FOR 1992/93

TV, Midwestern Ltd., Phoenix, Type Team, Under TV, MOTORS (S) Standard, Gen. Motors, TRISTAR (S) British, etc.

The underlying figure for net income, £32m, was in line with forecasts, dealers said. Shell Transport shares slipped back a few pence to 361 1/2p.

bonus issue, inspired strong demand for Leorho, which gained 10 to 38p on turnover of 6m shares.

Other market statistics, including FT-Actives Share Index and London Traded Options, Page 35

BAT active

A feature of early dealings was BAT Industries, which swept higher - its recent bid speculation took a new turn.

Woodrow decline

Taylor Woodrow, given a mauling on Wednesday on news that Hoare Govett, the securities house, and Hambros, the merchant bank, had bought P & O's near 10 per cent stake.

NEW HIGHS AND LOWS FOR 1992/93

TV, Midwestern Ltd., Phoenix, Type Team, Under TV, MOTORS (S) Standard, Gen. Motors, TRISTAR (S) British, etc.

FT FINANCIAL TIMES CONFERENCE CABLE TELEVISION AND SATELLITE BROADCASTING. The seventh Financial Times Cable Television and Satellite Broadcasting conference comes at a dramatic turning point in the development of the new media in Europe.

New chief for Shell company

Mr Evert Henkes has been made a director of SHELL U.K. and managing director of SHELL CHEMICALS U.K. He succeeds Mr John Collins who is moving to the London office of the Shell International Petroleum Company.

APPOINTMENTS

Haydn Taylor are joining the new company from Hoare Govett (Channel Islands). Mr George Simpson, formerly chief executive of Leyland DAF and a member of the board of management of DAF BV, and who is now managing director of Rover Group, has been appointed a member of DAF's supervisory board.

Mr A.N. Johansson, director and general manager of JAMES BURN INTERNATIONAL (JBI), has been appointed vice president and general manager. JBI is a division of Stander International Corporation.

Mr Richard Sheehans has been appointed a director of GOAL PETROLEUM. He was an associate director responsible for exploration. Mr Thomas F. Cox, senior petroleum engineer, becomes an associate director.

Mr Mark Forrest has been appointed transport director on the board of PANDORO. He was northern route general manager.

FRIBROOK GROUP has appointed Mr Ian McIntrude as chief executive of Wembley Sportsman. He was managing director of Match U.K.

TRANWOOD has appointed Mr John Gilmore as finance director. He is finance director of Tranwood Barri & Co., corporate finance subsidiary.

Mr N.S. Farr has been appointed chief executive of the BABCOCK & BROWN GROUP's international money market interests.

Mr Hugh Perrott, corporate development manager responsible for planning and acquisitions, has been promoted to finance director of WHEATMAN REEVE ANGEL. Mr Peter Akers, company secretary and treasurer, has also joined the board.

Mr Nigel Constantine has been managing director of LONDON & CLEVELAND ESTATES, the commercial development division of Constantine Holdings. Mr Peter Cope, managing director of the property investment division, remains on the board of London & Cleveland Estates.

QUESTIONS TO BE DISCUSSED INCLUDE: Who will be the winners and losers in the world of the new media? Will cable benefit from its capacity to deliver to all the competing channels and cut through the problems of competing dishes and standards, or will the satellites get there first? How will the consumers react? What will be the impact on the traditional broadcasters? SPEAKERS INCLUDE: Mr Timothy Renton, MP, Minister of State, Home Office; Mr Andrea Caruso, EUTELSAT; Dr Pierre Meyrat, Societe Europeenne des Satellites; Mr Anthony Simonds-Gooding, British Satellite Broadcasting; Mr Jim Styles, Sky Television PLC; Mr Francis Baron, WH Smith Television; Mr Michael Checkland, British Broadcasting Corporation; Mr Bill Cotton, Albo plc; Mr Jon Davey, Cable Authority; Mr Adam Singer, United Programming; Dr Burkhard Nowotny, Bundesverband Kabel und Satellit eV; Mr Elco Brinkman, Minister of Welfare, Health & Cultural Affairs, Netherlands.

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FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various trust categories and individual trust details.

OTHER UK UNIT TRUSTS

INSURANCES

Small text at the bottom of the page, likely a disclaimer or publication information.

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-423-2128

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various categories like 'Royal Heritage Life Assurance Ltd', 'Standard Life Assurance Co Ltd', 'Knight Williams & Company Ltd', etc. Each entry includes the company name, unit name, and price.

BERMUDA AUTHORISED

Table listing Bermuda authorized unit trusts and their prices.

OFFSHORE INSURANCES

Table listing offshore insurance products and their prices.

JERSEY AUTHORISED

Table listing Jersey authorized unit trusts and their prices.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas unit trusts and their prices.

GUERNSEY AUTHORISED

Table listing Guernsey authorized unit trusts and their prices.

ION AUTHORISED

Table listing Ion authorized unit trusts and their prices.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Handwritten Arabic text at the top center of the page.

Main table containing FT Unit Trust Information Service data, listing various unit trusts and their performance metrics.

Table containing British Funds, Foreign Bonds & Rails, and Americans sections, detailing investment options and their returns.

Table containing Money Market Trust Funds and Money Market Bank Accounts sections, providing information on short-term investments and banking services.

Vertical text on the left margin, including 'BERMUDA AUTHORITY' and 'OFFSHORE INSURANCE'.

Vertical text on the right margin, including 'UNIT TRUST NOTES' and 'A&P-Allied Arab Bank Ltd'.

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LONDON SHARE SERVICE

AMERICANS - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various American companies like 3M, Amgen, and others.

CANADIANS

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various Canadian companies like Alcan, Inco, and others.

BANKS, HP & LEASING

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various financial institutions like Citicorp, Citicorp Ind, and others.

BEERS, WINES & SPIRITS

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various beverage companies like Anheuser-Busch, Heineken, and others.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various construction and infrastructure companies like Bechtel, Fluor, and others.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various construction and infrastructure companies like Bechtel, Fluor, and others.

CHEMICALS, PLASTICS

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various chemical and plastic companies like BASF, Dow, and others.

DRAPERY AND STORES

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various retail and clothing companies like J. J. Brinkerhoff, and others.

ELECTRICALS

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various electrical and utility companies like Amstar, and others.

ENGINEERING

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various engineering and technology companies like Amstar, and others.

ENGINEERING - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various engineering and technology companies like Amstar, and others.

FOOD, GROCERIES, ETC

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various food and grocery companies like Amstar, and others.

HOTELS AND CATERERS

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various hotel and catering companies like Amstar, and others.

INDUSTRIALS (Miscel.)

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various industrial companies like Amstar, and others.

INDUSTRIALS (Miscel.) - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various industrial companies like Amstar, and others.

INDUSTRIALS (Miscel.) - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various industrial companies like Amstar, and others.

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INDUSTRIALS (Miscel.) - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various industrial companies like Amstar, and others.

INDUSTRIALS (Miscel.) - Contd

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various industrial companies like Amstar, and others.

INSURANCES

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various insurance companies like Amstar, and others.

LEISURE

Table with columns: Stock, Price, % Chg, Div, Yield, PE. Lists various leisure and entertainment companies like Amstar, and others.

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LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE - Cont'd. Table listing various leisure companies like TVS, Leisure, and their share prices.

PROPERTY. Table listing property-related companies and their share prices.

TEXTILES - Cont'd. Table listing textile companies and their share prices.

TRUSTS, FINANCE, LAND - Cont'd. Table listing trusts, finance, and land companies.

OIL AND GAS - Cont'd. Table listing oil and gas companies.

MINES - Cont'd. Table listing mining companies.

MOTORS, AIRCRAFT TRADES. Table listing motor and aircraft trade companies.

PROPERTY. Table listing property-related companies.

TOBACCO. Table listing tobacco companies.

TRUSTS, FINANCE, LAND. Table listing trusts, finance, and land companies.

OVERSEAS TRADERS. Table listing overseas trading companies.

MISCELLANEOUS. Table listing miscellaneous companies.

NEWSPAPERS, PUBLISHERS. Table listing newspaper and publishing companies.

PROPERTY. Table listing property-related companies.

TRUSTS, FINANCE, LAND. Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND. Table listing trusts, finance, and land companies.

PLANTATIONS. Table listing plantation companies.

THIRD MARKET. Table listing third market companies.

PAPER, PRINTING, ADVERTISING. Table listing paper, printing, and advertising companies.

PROPERTY. Table listing property-related companies.

Investment Trusts. Table listing investment trusts.

Finance, Land, etc. Table listing finance, land, and other companies.

TEAS. Table listing tea companies.

MINES. Table listing mining companies.

SHOES AND LEATHER. Table listing shoe and leather companies.

SOUTH AFRICANS. Table listing South African companies.

SHOES AND LEATHER. Table listing shoe and leather companies.

OIL AND GAS. Table listing oil and gas companies.

Central African. Table listing Central African companies.

Finance. Table listing finance companies.

TEXTILES. Table listing textile companies.

SHIPPING. Table listing shipping companies.

SHIPPING. Table listing shipping companies.

OIL AND GAS. Table listing oil and gas companies.

Central African. Table listing Central African companies.

Finance. Table listing finance companies.

Regional and Irish Stocks. Table listing regional and Irish stocks.

Notes and footnotes providing additional information and disclaimers regarding the share prices.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar retains firm undertone

THE DOLLAR yesterday continued to draw support from high US interest rates and the determination of the US Federal Reserve to fight inflation, but its upward potential was blunted in Europe by the threat of further central bank intervention.

about the economy from a set of figures renowned for their erratic nature. Investors will now be waiting for US fourth quarter Gross National Product data due today.

Attention is focused on the exchange today of UK trade figures for December. A deficit much worse than the median forecast of a £1.5bn current account shortfall will put upward pressure on interest rates and hence support the pound.

Central banks are likely to try and hold the dollar around this level at least until a meeting of the Group of Seven on February 8, at that time they may well decide to cap the dollar, but at a higher level. Apart from the Fed however, the acquiescence of other central banks to a higher dollar is by no means assured.

While holding below DML85 to close at DML84.40 from DML84.80 previously, the dollar improved against the Japanese yen, partly reflecting the Bank of Japan's absence from recent rounds of co-ordinated intervention.

The French franc lost a little ground on news of a wider trade gap in December of FF4.1bn against FF3.6bn in November. This means that the shortfall during 1988 of FF33bn was the worst for five years. The franc ended the day a little firmer.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Country, Unit, and % Change. Includes entries for Belgium, France, Germany, Italy, Netherlands, Spain, and UK.

POUND SPOT-FORWARD AGAINST THE POUND

Table with columns for Country, Spot, Forward, and % Change. Includes entries for US, Canada, and others.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns for Country, Spot, Forward, and % Change. Includes entries for UK, Japan, and others.

EURO-CURRENCY INTEREST RATES

Table with columns for Term, Rate, and Location. Includes entries for 3 months, 6 months, and 1 year rates.

EXCHANGE CROSS RATES

Table with columns for Currency, Rate, and Location. Includes entries for £/\$, £/DM, and £/FRF.

IN NEW YORK

Table with columns for Item, Last, and Previous. Includes entries for 3-month T-bill, 6-month T-bill, and others.

STERLING INDEX

Table with columns for Date, Index, and Change. Includes entries for 3.30 am, 8.30 am, and others.

CURRENCY MOVEMENTS

Table with columns for Currency, Bank, and Movement. Includes entries for Sterling, US Dollar, and others.

OTHER CURRENCIES

Table with columns for Country, Rate, and Location. Includes entries for Australia, Canada, and others.

FINANCIAL FUTURES

Trade data may test sentiment

A TEST of sentiment will be seen on the Liffe market today, as the City reacts to the December UK trade figures. Dealers are likely to be wary of buying March short sterling contracts, unless the trade news is very good.

but traders warned that any advance is likely to be limited by a softening of the pound on the foreign exchanges. Sterling's strength is a product of high interest rates; the better the trade figures, the less likely it is that rates will move up again.

is exceptionally bad. Dealers said that although some fingers were burned by the failure of short sterling to consolidate above 87.41 on Wednesday, some comfort could be gained from its ability to hold a support level of 87.28 yesterday.

Table with columns for Contract, Price, and Change. Includes entries for Liffe Long Gilt Futures Options.

Table with columns for Contract, Price, and Change. Includes entries for Liffe Treasury Futures Options.

Table with columns for Contract, Price, and Change. Includes entries for Liffe FT-SE Index Futures Options.

Table with columns for Contract, Price, and Change. Includes entries for Liffe 95 Options.

Table with columns for Contract, Price, and Change. Includes entries for Liffe Eurodollar Options.

Table with columns for Contract, Price, and Change. Includes entries for Liffe Short Sterling.

Table with columns for Contract, Price, and Change. Includes entries for Liffe 95 Options.

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Table with columns for Contract, Price, and Change. Includes entries for Liffe Short Sterling.

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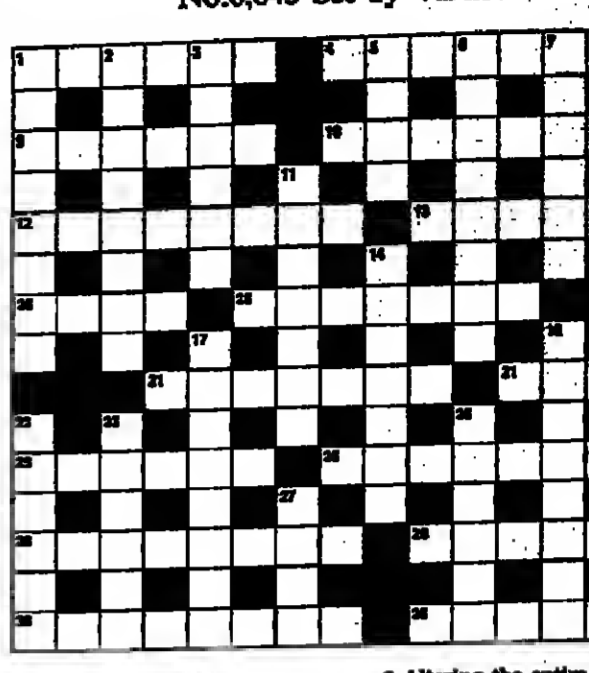
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Table with columns for Contract, Price, and Change. Includes entries for Liffe 95 Options.

Table with columns for Contract, Price, and Change. Includes entries for Liffe Eurodollar Options.

Table with columns for Contract, Price, and Change. Includes entries for Liffe Short Sterling.

CROSSWORD



- ACROSS
1 He simply will not eat more quickly (6)
4 A bit time for forming a judgment (6)
9 Men serving one with the wrong fruit (6)
10 Worn-out after swindling - and conscience-stricken (6)
12 Changing a lot in an inhabitant (6)
13 Discard some sign, or eye it derisively (6)
15 Celebrated old Chinese (4)
16 Popular military leader (7)
20 Drawing round interior of box (7)
21 School point-to-point (4)
25 Muscular married man? (6)
26 Access for transport (6)
28 Liberal favouring a student accepting work on the land (5)
30 For example a head backing introductory course (6)
30 Like the lower house, and not unlike (8)
31 Direct the formation of a certain trust (6)
DOWN
1 Company head showing great determination (8)
2 Landed in smart environment, which is ripening (8)
3 The newspaperman's "Right, love, time's up" (6)
5 A quarter record dog-doggy (4)
8 Altering the entire make-up (6)
7 Woman with a son about 11 (6)
8 The French may appear in uniform as a team (6)
11 Regrets strike over wrong order sent? (7)
14 Touching spring produces a reaction (7)
17 Stuff that's relevant (5)
18 Flag, as usual (6)
19 Intrigue can bring profit (6)
22 Ping for late retirement (6)
23 Previously carried around a couple of notes (6)
24 Enthusiasm makes the academician turn quiet (6)
27 The guards are silent and awfully sad (4)

COMPANY NOTICES

CREDIT DU NORD
USDOL 100,000,000 Floating
Rate Notes Due 1987

NEWS INTERNATIONAL PLC
9% Guaranteed Bonds Due
1980 Convertible into US\$
100,000,000 Floating Rate
Notes Due 1990

US\$ 100,000,000
9% Guaranteed Bonds Due
1980 Convertible into US\$
100,000,000 Floating Rate
Notes Due 1990

SPONSORED SECURITIES
High Low Company Price Yield
303 185 Am. Brk. Int. Ordinary 300 +1 10.3 3.4 8.2

MONEY MARKETS

Little comfort

THERE APPEARS to be little comfort at the moment for those hoping the recent upward trend in European interest rates will be quickly reversed.

and then sell it back to the Bundesbank within a specified time. The paper is paid for in D-Mark, and therefore drains liquidity.

The West German Bundesbank drained funds from the Frankfurt money market yesterday, and after the latest French trade figures there seems to be no prospect of any early reduction in Paris interest rates.

In London rates had a slightly firmer tone, on nervousness ahead of the UK trade figures. Three-month interbank was quoted at 13 1/2-13 p.c., against 12 1/2-13 p.c. in the afternoon.

est rates. Today's December UK trade figures are not expected to show much improvement over the November current account deficit of £1.6bn and are the equally unlikely to herald any early cut in British bank base rates.

Before lunch the authorities bought £120m bills outright, by way of £20m bank bills in hand 1 at 12 1/2 p.c.; £70m bank bills in hand 2 at 12 1/2 p.c.; and £30m bank bills in hand 3 at 12 1/2 p.c.

A widening of the French trade deficit in December led to suggestions that interest rates will remain high, to discourage consumption and protect the franc in the EMS.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £47m, with the unwinding of repurchase agreements absorbing £180m; a rise in the note circulation £48m; and bank balances below target £65m.

In Frankfurt the Bundesbank withdrew liquidity via currency repurchase agreements, as call money fell to around 5.00 p.c. from 5.20 p.c. Under the terms of the agreement the central bank offered commercial banks a claim to purchase US Treasury paper,

In Amsterdam period rates were barely changed after the Dutch Central Bank awarded six-day special advances in line with expectations.

FT LONDON INTERBANK FIXING

Table with columns for Rate, Bid, and Offer. Includes entries for 3 months, 6 months, and 1 year rates.

MONEY RATES

Table with columns for Term, Rate, and Location. Includes entries for 3 months, 6 months, and 1 year rates.

LONDON MONEY RATES

Table with columns for Term, Rate, and Location. Includes entries for 3 months, 6 months, and 1 year rates.

Table with columns for Term, Rate, and Location. Includes entries for 3 months, 6 months, and 1 year rates.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, and Bid. Includes entries for Gold, Silver, and other commodities.

BASE LENDING RATES

Table with columns for Bank, Rate, and Location. Includes entries for various banks and their lending rates.

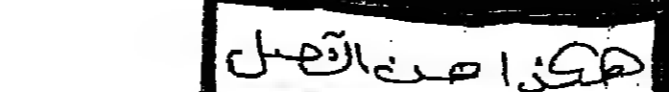
TOTAL VOLUME IN CONTRACTS - 5,000

Table with columns for Bank, Volume, and Location. Includes entries for various banks and their contract volumes.

BASE LENDING RATES

Table with columns for Bank, Rate, and Location. Includes entries for various banks and their lending rates.

These securities are dealt in strictly on a matched bargain basis. Member Gransell & Co. Limited are Gransell & Co. Limited are Gransell & Co. Limited.



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WORLD STOCK MARKETS

AUSTRIA

Table of stock prices for Austria, including companies like Alpine, Austria, and others.

FRANCE (continued)

Table of stock prices for France, including companies like Air France, Bouygues, and others.

GERMANY (continued)

Table of stock prices for Germany, including companies like Daimler-Benz, Deutsche Bank, and others.

NETHERLANDS

Table of stock prices for the Netherlands, including companies like ABN-Amro, Alkermid, and others.

NORWAY

Table of stock prices for Norway, including companies like Aker, DnB, and others.

FINLAND

Table of stock prices for Finland, including companies like Aktia, Kvaerner, and others.

FRANCE

Table of stock prices for France, including companies like Air France, Bouygues, and others.

GERMANY

Table of stock prices for Germany, including companies like Daimler-Benz, Deutsche Bank, and others.

JAPAN

Table of stock prices for Japan, including companies like Dai-ichi Kangyo Bank, Daiwa Kangyo Bank, and others.

ITALY (continued)

Table of stock prices for Italy, including companies like Agnelli, Eni, and others.

NETHERLANDS

Table of stock prices for the Netherlands, including companies like ABN-Amro, Alkermid, and others.

NORWAY

Table of stock prices for Norway, including companies like Aker, DnB, and others.

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Table of stock prices for Finland, including companies like Aktia, Kvaerner, and others.

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JAPAN

Table of stock prices for Japan, including companies like Dai-ichi Kangyo Bank, Daiwa Kangyo Bank, and others.

SWEDEN

Table of stock prices for Sweden, including companies like Alfa Romeo, Volvo, and others.

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CANADA

Table of stock prices for Canada, including companies like Alcan, Bell Canada, and others.

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TORONTO

4pm prices January 26

Table of stock prices for Toronto, including companies like Alcan, Bell Canada, and others.

MONTREAL

4pm prices January 26

Table of stock prices for Montreal, including companies like Alcan, Bell Canada, and others.

NEW YORK

DOW JONES

Table of Dow Jones index data for New York, including 1988 and 1989 data.

INDICES

Table of various stock indices from different countries, including Australia, Austria, Belgium, etc.

CANADA

TORONTO

Table of stock prices for Toronto, including companies like Alcan, Bell Canada, and others.

NEW YORK ACTIVE STOCKS

Table of active stock prices in New York, including companies like AT&T, IBM, and others.

TOKYO - Most Active Stocks

Table of most active stock prices in Tokyo, including companies like Dai-ichi Kangyo Bank, Daiwa Kangyo Bank, and others.

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

4pm prices January 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized in columns with headers for 'High', 'Low', 'Stock', 'Chg.', 'Vol.', 'Open', 'Close', 'Prev. Close', 'Settle'.

Continued on Page 41

Handwritten note in Arabic script: "مركزنا للتداول"

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, Stock, Div. Yld., % Change, and Close. Includes a 'Continued from previous page' note.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 26

Table of Over-the-Counter prices listing various stocks with columns for Bid, Ask, High, Low, Last, and Change. Includes a 'Sales below are official' note.

AMEX COMPOSITE PRICES

4pm prices January 26

Table of AMEX Composite Prices listing various stocks with columns for Bid, Ask, High, Low, Last, and Change.

Advertisement for 'Have your F.T. hand delivered' by Peter Grün of Morawa & Co, Frankfurt, with contact number (069) 7598-101.

AMERICA

Self-confidence lifts Dow as volume soars to 212m

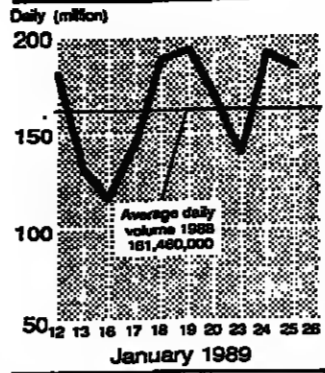
Wall Street

A STRONGER-than-expected rise in US durable goods orders during December was shrugged off by the equity market yesterday and modest losses at the opening were turned into another substantial rally by the close, writes James Bush in New York.

reflecting a surge in the dollar in currency markets. By late trading, bond prices were quoted as much as a point higher at the long end of the yield curve while the dollar stood near its session highs at Y128.30 and at DML8475.

Today's preliminary estimate of fourth quarter GNP will be one focus for the equity market. The consensus forecast is for growth of 2.4 per cent compared with 2.6 per cent in the third quarter.

NYSE Volume



EUROPE

Company tidings spark brisk trade

CORPORATE news kept European bourses busy yesterday and, while the inevitable profit-taking did set in, selling pressure was not great, writes Our Markets Staff.

1988 profits similar to those in 1987. In the construction sector, Holzmann built on the previous day's gains picking up another DM43 to DM697, a rise of 6.6 per cent, on sharply improved earnings forecasts.

Early sentiment was knocked by worse-than-expected trade figures for December and trading was curtailed by a bourse employees' strike which delayed blue chip dealing for more than an hour.

ADIA bearers fell SF700, or 8.6 per cent, to SF6,450, having been as low as SF6,350. BRUSSELS closed marginally higher in moderately active trading, boosted by foreign interest.

ASIA PACIFIC

Nikkei slips as caution dominates

Tokyo

THE POSSIBILITY of restrictions on margin transactions which has been lingering in the air for the past few days kept investors on their toes. Share prices dropped moderately in what was generally taken to be a necessary correction, writes Michio Nakamoto in Tokyo.

Jardine Fleming. However, investors were carried away by the excitement over Wall Street's previous overnight rise, with arbitrage trading which has been lingering in the air for the past few days kept investors on their toes.

SINGAPORE saw volumes jump to their highest level in five months, spurred by the overnight rise in New York, and share prices ended higher.

FINLAND'S stock market is enjoying a healthy boost from Swedish investors, who have been flocking to Helsinki since Thursday last week following the liberalisation of foreign investment in neighbouring Sweden.

Finns benefit from Swedish influx Olli Virtanen on the foreign interest that has driven Helsinki higher

FINLAND'S stock market is enjoying a healthy boost from Swedish investors, who have been flocking to Helsinki since Thursday last week following the liberalisation of foreign investment in neighbouring Sweden.

global market's crash. Foreign investors left Finland in the aftermath of the market's collapse and have not yet returned to a significant degree.

Most analysts believe preliminary corporate results, due to be released within the next few weeks, will provide a further fillip for share prices.

Swedish investors brought a welcome boost to the free share market, which has been fairly passive since the 1987

Table with columns: Market, No. of stocks, December 1988, % Change on Dec 31 '87, PRICE, December 1988, % Change on Dec 31 '87, December 1988, % Change on Dec 31 '87, December 1988, % Change on Dec 31 '87. Rows include Latin America, Asia, and various regional indices.

FT-ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, Thursday January 26 1989, Wednesday January 25 1989, Dollar Index. Rows include Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, and various regional indices.

Lazard Investors advertisement. Text: Lazard Investors are pleased to announce the formation of a new collective investment scheme in Guernsey. LAZARD SELECT INVESTMENT TRUST LIMITED. It is intended that this new scheme will provide: ability for investors to switch from one class of share to another, incorporation in Guernsey but resident in the UK for tax purposes, an open-ended structure effectively eliminating the usual 'discount' associated with shares in investment trusts, seven classes of participating shares, each representing a specialised investment fund.

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FINANCIAL TIMES SURVEY



There are stirrings of confidence in Britain's regions as the benefits of sustained growth

spread northwards, reports Hazel Duffy. But it is still far from clear that high levels of activity in the South-East will lead to a narrowing of the north-south divide

Boom ripples northwards

MRS THATCHER, the Prime Minister, is chasing an elusive goal. If her policies can close the economic and social gap between Britain's regions, she will have succeeded where governments have failed for the past 100 years.

Certainly, there are definite stirrings of confidence in the regions as the sustained economic growth enjoyed in the south is at last rippling northwards. And if the increasingly buoyant statements by some ministers are an accurate reading, that new regional confidence is justified.

But the facts do not always support the rhetoric. There is a lot of catching up to be done. All the indicators show that the divide between the north and the south has widened since 1979. The Government's policies on interest rates and sterling hit the north hardest in the early 1980s. It has been the south which has benefited most from the resurgence of growth.

In this uneven distribution of the fruits of Thatcherism, the worst affected areas have been the inner cities where the plight of unemployment has accentuated the social and political division of Britain.

Mrs Thatcher did not set out to make the regions a special

case. In her determination to make British industry more competitive, there were few compensating measures to help the blighted regions to adapt.

In fact, the Thatcher government would have liked to cut back Government grants to industry more than it actually has done. Ideally, it would have preferred to abolish them completely. But every other country in the European Community dangles financial carrots before internationally-mobile industrial investment projects, so Britain cannot afford to go it alone. The Government's direction, therefore, has been to make grants more selective.

The provision for regional grants for the next three years is around \$360m, which implies continued scaling down of the total amount of assistance as regional development grant is phased out.

The Thatcher Government has also targeted financial assistance and incentives more on the inner cities. Urban development corporations, enterprise zones and urban grants are directed at encouraging the private sector to regenerate derelict areas.

The message from the regions in the past year, however, has been positive. Unem-



Britain's Regions A TEST FOR THATCHERISM

ployment is falling, manufacturing output is going up, the service industry sector is expanding, self-employment is growing.

Where there has been development, it has largely been generated from within the region itself. The growing provision of financial services in cities like Manchester and Leeds, for instance, is mainly serving their regions, in contrast to the global services provided by London.

But a new factor has started

to emerge, which, over a lengthy period, could benefit the outlying regions. It is the overheating of the South-East economy. Growing traffic congestion, labour skills shortages, and, until recently, soaring house prices, are changing the cost structure to the advantage of the regions outside of the South East.

This change is an underlying factor to help regional recovery, to help other regions catch up with the South-East. It opens up the possibility of

future change, but so far little more than that. This is clear in the unemployment figures.

The rate of unemployment has become a powerful statistic since 1979, and one that is used frequently to take the temperature of the health of the regions. Ministers proudly proclaim the month-by-month fall. But this ignores the fact that, on a more localised basis, male unemployment is still high in parts of the regions, as the maps on pages 4 and 5 show. Unemployment figures are

one measure - albeit rather inadequate - of the diversity within regions. Unemployment blackspots are balanced by areas which are much more buoyant in all of the regions. Good communications can be seen to be an important factor in identifying the areas of recovery. The east-west M62 corridor and the southern end of the M6 are good examples. They support bids by the regions for accelerated road-building programme, and improved rail links.

CONTENTS

Regional economies: a top-sided recovery	1	Case studies: Midlands, Scotland, Wales	6
Political dimensions: anger of 'two nations'	2	Transport: South-East will grab the cash	8
Regional grants: a more selective approach	3	Development Agencies in the North: a greater sense of teamwork	9
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N. Ireland: twin targets	4	Inner Cities: search for uplift	10
Wales: an east-west divide	4	Property: retail opportunities attract the investors	10
Southern England: pressures of success	5	Illustration by Ann Chasseand	
Midlands: internal variations	5	Maps by Bob Hutchinson	
Scotland: a speckled picture	5		
Company relocations: arguments may fall on deaf ears	5		

Total employment in the South East



Then there have always been local pockets of prosperity in the Midlands and the North, like Solihull, Harrogate, Matlock and Macclesfield. In her rare references to the regions, Mrs Thatcher has emphasised these bright spots. In response to a Parliamentary question two years ago, she said: "You are quite wrong in trying to give any impression that the North of England is down and out when very many parts of it are very prosperous."

Mrs Thatcher is right, but it is not an argument for there being no division. If north and south contain pockets of prosperity and poverty, a lower average figure on a measure of living conditions for one area means that its better-off places are outweighed by much worse conditions in its poorer parts." (Jim Lewis and Alan Townsend, *The North-South Divide*, to be published next month by Paul Chapman, £12.95.)

Taking employment as a measure, the graph (proportion of jobs in the south) shows that, historically at least, the south has been the clear winner in jobs. Service employment has grown throughout the country, but faster in the south. The net job gain between 1983 and 1987 was 1 per cent in the north, compared to 6.1 per cent in the south. Income and expenditure figures likewise show not only higher levels for the south but

also that they have been growing faster in the south. To date, then, market forces have shifted the balance in favour of the south. The core of activity and wealth is London and the South-East, as it has been for at least the last 100 years, and the fastest growing regions have been East Anglia and the South-West. Their proximity to the South-East, and their natural environment unscarred by heavy industry, have been the main factors in making them the regional success stories of the 1980s.

The radius out of London and the South-East is widening a little. The south east of Wales, with good road and rail connections to London, is proving popular. Parts of the east Midlands are seen by business as a good location, and the extensions of the M40 to Birmingham is also making the south Midlands more attractive.

Most of the rest of the country, however, has yet to benefit adequately from the high level of activity in the South-East. Indeed, the buoyancy of the south (although there are pockets of deprivation, notably in inner London) seems destined to be reinforced by its geographic closeness to the Continent and the centre of the European Community, and by the Channel Tunnel.

The pressures in the south pose a planning dilemma for the south. Continued on page 10

HOW BUSINESS USED TO BE SHAPED IN THE BLACK COUNTRY.

The Black Country of the past was built from hard graft in harsh conditions. The biggest buildings were the foundries.

Technological progress has given us more leisure and productivity from less effort - and there's no disgrace in that.

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And less than two years from the foundation of the Black Country Development Corporation, the foundations of some striking new developments are already being laid.



THE SHAPE OF THINGS TO COME.

Sandwell Mall, at 120 acres one of the largest mixed retail/leisure/entertainment developments in the UK, is now on schedule for opening during 1992. This proposed development by Speyhawk/Alton has been made possible by a partnership between Sandwell Metropolitan Borough and the Corporation, and is typical of the cheerful spirit of co-operation in the area.

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 Organisation _____ Address _____ Telephone _____



BRITAIN'S REGIONS 2

Geographical division of wealth has widened in the past 10 years

Lop-sided recovery of 1980s

IN THE debate about Britain's north-south divide, one assertion is beyond doubt: the abundance of anecdotal evidence far outstrips the availability of comprehensive economic figures.

From economic statistics it is hard to make more than generalisations about the split of incomes and assets between regions, cities and between rural and urban areas. In contrast, saloon bar debate will yield a dozen stories about how much better off individual households have become by moving out of town or from south to north.

Region	% GDP per head (UK = 100)		
	1977	1981	1987
North	94.5	93.7	93.9
Yorkshire & Humberside	92.1	91.7	92.7
East Midlands	97.2	97.1	96.8
East Angles	97.4	96.3	96.8
South East	112.2	117.5	118.5
Greater London	122.5	128.0	128.4
Rest of South East	104.1	119.1	111.8
South-West	92.1	93.2	94.0
West Midlands	97.4	96.5	91.5
North West	95.5	94.3	92.8
ENGLAND	101.5	102.1	102.4
WALLES	95.9	93.3	92.4
SCOTLAND	97.1	96.3	94.5
NORTHERN IRELAND	78.9	78.2	77.4

A good starting point is regional figures for gross domestic product. These give a guide to the level of activity in an area, reflecting both output and incomes. Latest figures published by the Central Statistical Office map trends in the decade to 1987, showing how regions compare with UK average GDP in each year. The figures are calculated per head, which takes account of the large population differences.

Not surprisingly, Greater London ranked top at 29.4 per cent above average in 1987. Next highest was the Rest of the South East, where GDP was 11.5 per cent higher than the average. Other regions were all below average - giving some impression of the tilt towards the South.

Northern Ireland is at the bottom of the league, at 22.5 per cent below average. One rung up was Wales and then, slightly higher, north England.

Looking back 10 years shows the difference between the extremes has grown; the South-East has become more affluent relative to the average, Northern Ireland relatively worse off.

In other areas the story is different and suggests the pattern of a growing north-south divide is not clear cut. In the North, for example, GDP per head relative to the UK showed a slight increase in 1987 following a sharp fall between 1981 and 1986.

The problem with GDP figures is the difficulty in accounting for price differences between regions. If the rate of inflation has varied significantly across the UK - which seems likely given the lop-sided character of economic recovery in the 1980s - the measure will be a less accurate

Probably most distortion (in GDP figures) is due to the effect of house prices

indicator of standards of living. Probably most distortion is due to the effect of house prices. For existing owners, higher prices boost wealth and, in recent years, has encouraged rapid growth in equity withdrawal, boosting consumer spending. For new buyers, however, higher prices mean higher mortgages relative to incomes and therefore less for discretionary spending.

At the same time, migrating households have been able to take advantage of house price differentials to sell property in a high cost area and buy in a cheaper region, unlocking capital and boosting spending in regions such as north England. The effect of the variation of house prices is apparent from surveys by The Reward Group, the pay and cost of living advice company. It constructs a "quality of life" index which compares the average salary of a middle manager with the cost of living in a region. Salaries and costs are calculated relative to the national average.

The costs assume a household has to buy a house in the region, which means the spread of the results across regions is exaggerated as the house price divide widens over time.

Its latest survey in September showed that at the bottom was Greater London where costs of living were 36.1 per

more or less constant, total incomes per head vary according to the number out of work. In this respect East Angles and the South-East fare best. However in the late 1980s, with unemployment often falling fastest in the more depressed areas, the North could be catching up.

More localised unemployment figures can be used to give an insight into the split between rural and urban areas. Greater London's unemployment rate of 8.8 per cent in October 1987 compared with an average of 7.7 per cent for the whole of the South-East. In the North West, the region's unemployment rate was 14.0 but in Merseyside it was 18.2 per cent.

This sort of measure, however, gives only a limited impression of relative wealth. They are averages for large regions (the South-East, for instance, has a population of 17.3m) disguising the extremes and variations around regional averages. Part of inner London, for instance, are among the most deprived in Europe.

Recent figures for total wealth including financial assets by region are not readily available. Other guides to relative prosperity may provide a partial insight - for instance figures for the consumption of consumer durables.

Ownership of, say, video recorders is likely to reflect general wealth and confidence about economic prospects as well as incomes. In 1984-85, video recorder ownership varied from 22 per cent of households in Northern Ireland to 32 per cent in the South-East.

Another snapshot of the quality of life comes from a survey conducted by MORI on behalf of the recruitment consultancy Hoggett Bowers and published in December. This showed company directors and executives in the north of England are happier about their life-style than counterparts in the south.

In contrast a survey of business leaders' opinions by Manchester Business School in October showed a majority of chief executives and finance directors in south England regards a significant part of the north as a cultural desert, set in attractive countryside but with a unimised, disruptive workforce.

Ralph Adams
Economics Staff

POLITICAL DIMENSIONS

The anger of 'two nations'

PERHAPS more than any other subject, the north-south divide is guaranteed to send pulses racing and temperatures rising at Westminster.

In a place where everything from the fate of donkeys to the future of football can bring MPs to boiling point, the Commons reserves a very special passion for the "two nations" issue.

It is, variously, a scandal, a subject for national shame, a crucial manifestation of uncaring Thatcherism or, conversely, an over-simplistic analysis, an entirely false premise, a political chimera employed by desperate critics intent upon devaluing the government's economic strategy.

But if the subject can give rise to almost as many opinions as there are MPs, there can be no disagreement about the divide which now characterises the political map of the United Kingdom.

It is a phenomenon which has been underway for at least the last thirty years, with party support increasingly reflecting the continuing tilt in the geographical axis of economic growth; the Conservatives have advanced most where there is economic growth and security and least where there is deprivation and decline.

Since the 1950s, the long-term swing in favour of the Conservatives has been in the south and the Midlands, the suburbs, the small towns and in the countryside, where they have always been dominant. The shift towards Labour, on the other hand, has been in the north and in Scotland and in the inner-cities.

The effect has been dramatic. According to Prof Ivor Crewe of the University of Essex, Labour's share of the national vote fell by six per cent overall between 1959 and 1987, but it was down by as much as 16 per cent in East Angles and 14 per cent in the south west.

Above the Humber-Mersey line, however, Labour raised its share of the vote, by between five and seven per cent in the north and north west and by 14 per cent in Scotland.

By the end of the last general election, Labour's presence in the south had been decisively reduced to little more than a token representa-

tion, with its continuing grip on several inner-London constituencies keeping alive its aspirations in the south. Even there, traditional Labour strongholds like Battersea fell to the Tories.

If Labour is to stand any chance of winning power at the next general election, then it has to rekindle its appeal to electors in the south and pick up seats which, at present, seem well beyond its reach. To make matters worse, boundary changes in the pipeline shift the balance further in favour of the Tories, making Labour's task an even bigger uphill struggle.

The challenge has not gone unnoticed. Earlier this month it was announced that Mr Gordon Brown, the shadow Treasury spokesman, is to embark on a tour of the Tory heartlands which the leadership accepts it must at least partially regain if Labour is to avoid its fourth consecutive election defeat.

As for the Tories, for strength in the south road weakness in the north, where support has slowly been eaten away. While in 1959, the cities of Glasgow, Edinburgh, Liverpool, Newcastle, Bradford, Leeds, Manchester, Sheffield and Hull had returned no fewer than 28 Tory MPs, by 1987 the number was down to five.

Nowhere is the Tory dilemma clearer than in Scotland, where its failure



Mrs Thatcher: No to devolution of political power

was to beef up the party machine north of the border in an attempt to establish a broader activist base. Despite the efforts of Mr Malcolm Rifkind, the Scottish Secretary, and his team to demonstrate to an ungrateful Scotland that it is sharing in the nation's economic boom, their efforts have failed to make any significant impact.

According to Mr John Currie, lecturer in politics at Strathclyde University: "Although not as powerful an influence as the class divide, it seems as though there is now a regional cleavage in British politics. In other words, some people are deciding to vote Conservative or Labour not because of, for example, their

Nowhere is the Tory dilemma clearer than in Scotland, where its failure to rebuild popularity, combined with Labour's perceived inability to influence events at Westminster, threatens to rekindle a wave of support for the nationalists

to rebuild popularity - combined with Labour's perceived inability to influence events at Westminster - now threatens to rekindle a wave of support for the nationalist movement.

After the 1987 election, Tory representation in Scotland dwindled to just ten MPs, fewer than half the previous level. By contrast, Labour finished with 50 seats, one of which it has since lost to the Scottish National Party.

One of the first decisions taken by the Tory party after its awful showing in Scotland

social class or housing tenure, but because of the part of the country that they live in."

He points out that voters living north of the Humber-Mersey are consistently less optimistic about their prospects, in particular on issues like employment, inflation and their own standard of living. The relative weakness of the economy in the north, therefore, does appear to influence people's economic confidence and, in turn, shapes views on how the economy should be handled which are markedly

different to those held in the south.

Those living in the economically less confident half of the country are, understandably, more likely to believe that there should be greater economic equality in society and apparently favour state action to bring it about.

Most Tory MPs continue to reject the notion of any significant, geographical divide between the "haves" and the "have nots". They claim that the government's economic policies are working to the benefit of the whole nation and that, quite naturally, those areas with the deepest problems will take longer to reap the benefits.

They point to basic economic indicators like the unemployment rate and emphasise that it is falling in all areas of the country, with some of the sharpest reductions recorded in northern regions.

Labour, together with the other opposition parties, remains totally unconvinced and claim that the government's only achievement has been to deepen the regional divide.

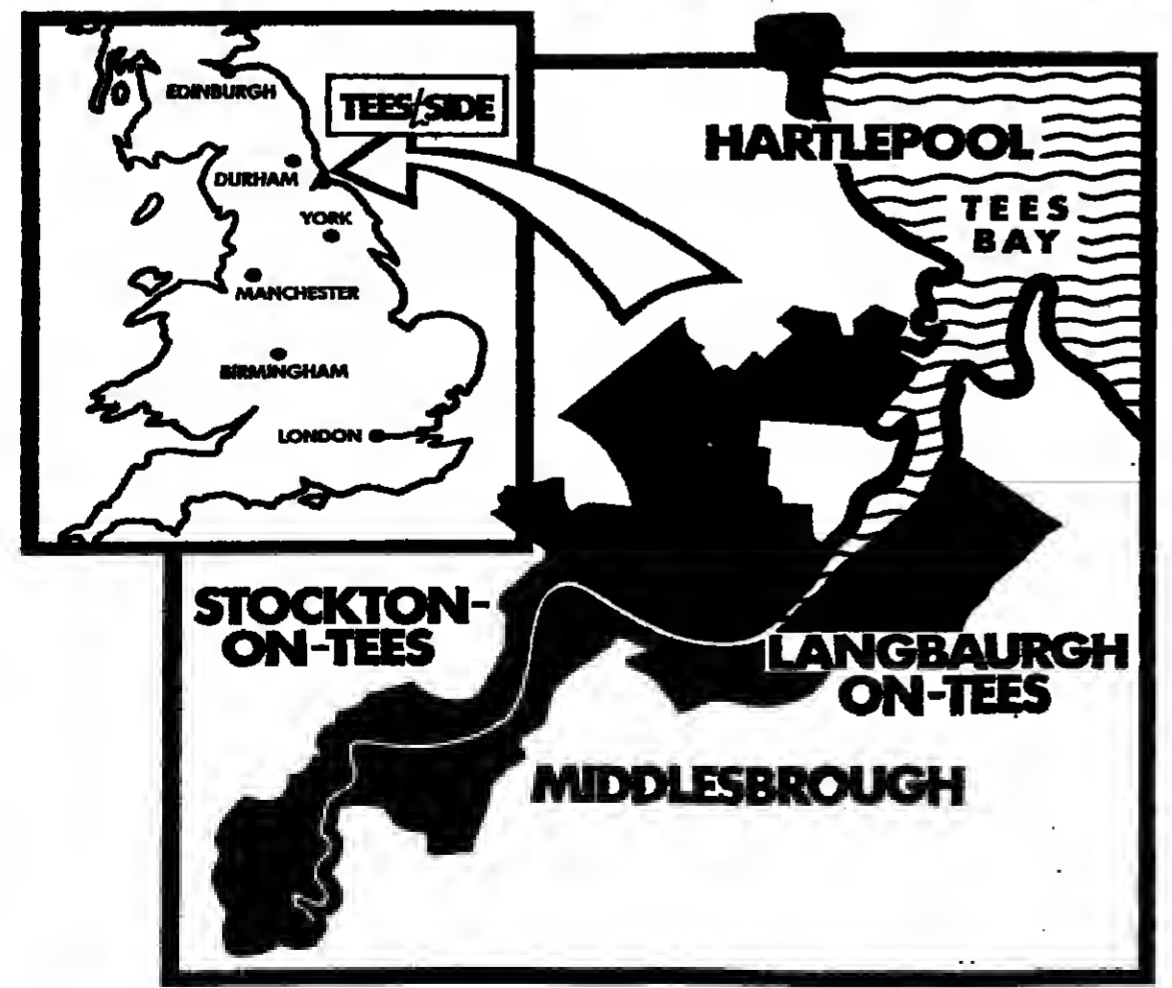
They allege the government has no real regional policy aimed at stimulating investment and economic activity, away from the south and claim it is content to concentrate resources in a way which helps consolidate its voting base, leaving the north - with little political clout - to look after itself. Market forces, they say, should not be left to render one region prosperous at the expense of another's bankruptcy.

The issue has helped revive the debate on the need to return political power to the regions, accompanied by fresh calls for devolution and the establishment of a network of locally-elected regional assemblies with powers to raise finance and preside over their own economies.

Mrs Thatcher will have none of it. Her government, she intones, was elected to serve all of the United Kingdom and that it was its will to do. Whether it is as united as she supposes will remain a topic for angry debate.

Michael Cassell
Political Correspondent

TEES/SIDE DEVELOPMENT CORPORATION Initiative



- Within a few months of becoming operational Teesside Development Corporation has acted as the catalyst to speed and implement a host of new initiatives. Initiatives that will enhance the industrial, business, social and cultural environment of Teesside. Initiatives in which powerful partners from the private sector are already participating. Initiatives which still offer outstanding development and investment opportunities. Among them -
- At Hartlepool - the most important water-based leisure and living attraction on the North East Coast
- Tees Offshore Base - a world centre of excellence in subocean technology to exploit deep-sea mineral resources **LAUNCHED**
- Teesside Park - a new runner at the old Stockton racecourse, an £80 million retail, leisure, sports and conference centre **LAUNCHED**
- Teesdale - an investment of over £110 million in a high quality urban mix of first class offices, residential areas and shops, in a landscaped setting
- Britannia Park Enterprise Zone - one of Teesside's two EZ's, now being enhanced with new factories and infrastructure **LAUNCHED**
- The European Chemical Centre - creating the finest concentration of chemical businesses in the world **LAUNCHED**
- Middlehaven - a redevelopment of Middlesbrough Docks to create a high quality residential, business and leisure centre
- Langbaugh Motor Sport Park - an exciting road and track based facility for a variety of two- and four-wheeled sports **LAUNCHED**
- Teesside International Nature Reserve - opening up and expanding an existing world stature estuarine wildlife sanctuary
- Tees walkway and weir - providing pleasant access to a tide-free river frontage

'We are setting out once again to be ahead of our time..!'

Handwritten signature or mark at the bottom of the page.

BRITAIN'S REGIONS 3

Emphasis is on inner cities, enterprise and inward investment

Grants are more selective

MRS THATCHER'S distaste for intervention in the economy has resulted in the steady erosion of a Government policy, dating back to the 1930s, aimed at stimulating investment in the regions.

Critics calculate that regional assistance has been cut by around half since 1979. The emphasis has shifted towards greater selectivity. There are also several other strands to the policy. The plight of the inner cities, which has been accentuated by the contraction in manufacturing employment and the continuing moves by industry out of urban areas, has moved up the political agenda.

Lord Young, Secretary of State for Trade and Industry, the department with responsibility for regional policy in the UK, has put more emphasis on stimulating the formation of small businesses in the regions and is encouraging the expansion of existing small to medium-sized companies.

Over the next few years, regional policy in the UK will be increasingly influenced by the European Community. The European Commission is determined that it should have a genuine European policy on the regions in the Community, rather than acting on the policies of individual governments.

While Lord Young pursues the policy of fostering enterprise, he is as anxious as his predecessors to make sure that Britain attracts overseas investment. The importance of inward investment to the economy of the regions is demonstrated by Nissan, which is spending £390m on the first phase of the car plant in the Sunderland area of north east England.

Mr Peter Walker is similarly enthused with the impact of Japanese investment on the

economy in Wales. More recently, he praised the decision by Ford to locate its £220m automotive engine plant at Bridgend. Inward investment is equally vigorously competed for elsewhere in the UK. Many factors weigh in a company's decision on where to locate a new plant. Relatively cheap labour in the UK, for instance, is an important consideration for West German companies. Several West German automotive component makers have set up recently in the UK.

Most companies are also looking for government financial assistance. Northern Ireland can offer the highest grants in the UK - up to 50 per cent of the capital cost of new plant is available. Elsewhere, it is most likely now to be between 10 and 20 per cent (the Nissan package included regional development grants, which are no longer available in Britain).

The grants regime started to tighten up in 1984. Job creation was made the priority - calling a halt to the situation where capital intensive manufacturers had been getting substantial assistance towards plants which had frequently resulted in fewer jobs - and

assistance became more selective. This is now the only form of help extended to companies, which must prove that their planned projects would not take place if they were not assisted.

Government assistance in its various forms has been exceeding £500m a year and in the early 1980s was considerably higher. But, as payments on the automatic type of grant are phased out, it would be surprising if this figure did not fall despite assurances by the Government that "regional spending will be maintained". Businessmen say that it is more difficult to get financial help, but ministers maintain that finance is available for worthy projects.

In the inner cities, incentives are increasingly targeted on encouraging developers to move into run-down urban areas. The main instrument in England is City Grant. Scotland, Wales and Northern Ireland have a slightly different system. The grant is calculated at a level to bridge the gap between the cost of a development and its value. Public finance is normally agreed at between one fifth and one quarter of the total cost, although this can be

higher if the project is to be undertaken on a very difficult site. Housing, industrial and commercial developments are going ahead with City Grant. Big sites might well involve a mixed development.

Urban development corporations (UDCs) have proliferated from the original two in London Docklands and Merseyside. They now cover large areas of Manchester, Teesside, the Black Country, land on the banks of the Rivers Tyne and Wear, and Cardiff Bay. Plans to set up a development corporation in Belfast are proceeding. Smaller areas have been assigned in Sheffield, Leeds, and shortly Bristol. It all adds up to UDCs being a major part of the Government's urban policy.

The corporations have the power to acquire land and prepare sites for sale. They are also the planning authority (except in Cardiff Bay). As a means to accelerate development in run-down areas, it has worked well in London Docklands and, to a lesser extent, on Merseyside. In other areas, it is too early to reach a verdict. But London Docklands, by its very success, is producing problems. Substantial improvements in communications will have to be funded, part publicly, part by the developer. Increasingly, the Corporation is being drawn into playing a social role in the area.

Enterprise zones, some of them in the UDC areas, are the only locations where tax benefits are available to investors. Rates holidays are the other main incentive. Most of the zones around the country are moving in to the second half of their 10 year lives, reducing their attractions to investors. The final verdict on the contribution of enterprise zones to urban renewal will probably be positive. Nevertheless, the Government has decided not to extend what was introduced as an experiment.

There are two exceptions. An enterprise zone has been set up in Inverclyde in Scotland, where the shipyard owned by Trafalgar House has been mothballed. In Sunderland, Mr Tony Newton, Trade and Industry minister, won permission late last year for an enterprise zone to be designated in the wake of the closure of North East Shipbuilders.

Hazel Duffy

HOUSING

Gap narrows very little

NOWHERE is the divide between the economies of northern and southern Britain more visible than in the wide gap between house prices in different parts of the country.

The high cost of houses in south east England is a major obstacle to job recruitment. Employers in very few cases can offer sufficiently large salaries to compensate employees for the higher cost of houses in the region.

The lack of an adequate private rented housing sector in Britain, as well as long waiting lists for council housing, makes it even more difficult for skilled workers who want to move to the South-East where there are better job opportunities. This places a strain on companies which need to pay even higher wages to attract workers.

It should be no surprise, therefore, that some companies have been considering locating away from the South-East and have been concentrating their expansion in areas where wage costs are lower.

The decision announced this month by Mr John Moore, Social Security Secretary, to move more than 1,000 social security jobs out of London reflects the major problems faced by employers competing for staff in the South-East.

Mr Moore, explaining his decision, said: "Fierce competition for staff and premises has resulted in high staff wastage and deteriorating working conditions."

Moves such as this seem unlikely, however, to lead to a significant realignment in regional economies. For every company looking to expand outside the South-East there appears to be at least another new business setting up in the region.

A study published this month by Cambridge Economics, a forecasting group, and Northern Ireland Economic Research Centre, said the north/south economic divide would remain to the end of the century, with northern regions continuing to languish by comparison.

It said labour shortages and competition in the South-East would encourage more investment in neighbouring regions but was unlikely to benefit more distant regions, with the exception of Wales. "The future is expected to resemble the 1950s when the

THE HOUSE PRICE DIVIDE		
Region	Average price	Annual % rise 1988
Greater London	£39,618	22.3
South East	£30,477	32.4
East Anglia	£23,063	47.4
South West	£23,715	44.3
East Midlands	£23,378	33.9
West Midlands	£20,004	30.4
Yorkshire & Humberside	£19,524	40.4
North West	£12,515	27
North	£26,103	16.8
Scotland	£43,757	14.3
Wales	£44,252	46.3
Northern Ireland	£24,385	7.8

Source: Halifax Building Society

peripheral regions languished more than in the 1960s and 1970s when strong regional policy measures brought a revival to the peripheral," said the forecasts which concluded the Midlands was likely to enjoy the fastest rate of economic growth during the next decade.

The economic spillover from south east England has already left its mark on the housing market. Last year house prices in regions adjoining the South-East soared as commuters seeking pleasant surroundings, and unable to afford prices in London, moved out even further from the capital.

The introduction this month of much higher, longer-distance-commuter rail fares will have removed some of the

prices rose by 19 per cent in Scotland by 14 per cent; and in Northern Ireland by 8 per cent. The pace at which prices have been rising, however, has altered materially during the last few months as interest rates have risen. In the south, prices are barely moving and in parts of London have fallen.

In the north of England, however, prices are still rising fairly sharply but are expected to slow later this year. This forecast is based on the premise that what happens in London today occurs in the provinces tomorrow.

The gap between average house prices from one region to another seems unlikely to narrow greatly. This is despite the fact that prices are cur-

One large Kentish company said high house prices had meant that staff from the north "had invariably been forced home to rejoin the dole queues" despite generous incentives offered by the company. A few firms said they were considering offering company housing

advantage of lower-cost housing further away from London. Fares from cities and towns like Grantham, Peterborough, Oxford, Weymouth and Bournemouth have gone up on average by 21 per cent, affecting 15,000 daily commuters.

According to the Halifax, Britain's biggest building society, house prices in Greater London rose, on average, by 23 per cent last year. This compared, said the Society, with price rises of 47 per cent in East Anglia; 60 per cent in the West Midlands; 54 per cent in the East Midlands; and 48 per cent in south west England.

According to the Halifax Building Society an average priced house in northern England at the end of last year would have cost £36,103, compared with £39,618 in Greater London, and £23,063 in East Anglia. In Scotland the same house would cost £43,757, in Wales £44,252, and in Yorkshire and Humberside £19,524.

It would be wrong to assume that there are no areas of high house prices in the North. Places like Harrogate in north Yorkshire and large parts of the seaside command premium prices matching those of many

desirable market towns and cities in southern Britain.

The general run of housing, however, is far cheaper, allowing home owners to get much more for their money than those in the south. This may be one reason why a recent survey of company executives found that those in the North claimed to have a more comfortable lifestyle than their higher-salaried counterparts in the South.

Staff, however, may be reluctant to move to other regions. Those moving north fear that when the time comes to return south the profits from the sale of their northern home will not be enough to afford to buy back into the market.

Those moving south complain they will have to take a cut in their standard of housing, despite higher salaries.

A survey by the Confederation of British Industry of 200 companies in south east England last summer showed almost 60 per cent of them had major problems recruiting labour because of high house prices and a shortage of low-cost rented accommodation.

Despite this, more than half the companies surveyed, in Sussex, Surrey and Kent, planned to increase their workforce significantly during the next two years.

One large Kentish company said high house prices had meant that staff from the north "had invariably been forced home to rejoin the dole queues" despite generous incentives offered by the company. A few firms said they were considering offering company housing as an expensive but necessary aid to recruitment.

Mr Brian Street, chairman of the south eastern regional council of the CBI said: "Many firms in the region believe there is no alternative to the release of more land for housing if the productive effort of local companies is not to be constrained."

These pressures will not be lessened by all the development and business opportunities which are likely to arise as a result of the construction of the Channel tunnel and the development of improved transport links to the tunnel which is due to open in Spring 1993.

Andrew Taylor

Talent Ability

Talent abounds on Teesside. The talent of an industrial and commercial base established for over a century. The talent of giant corporations and of smaller specialist enterprises. The talent of Teessiders - whose skills reach right across heavy and light engineering, chemical and petrochemicals engineering, metals production and application, major port and oil terminal operation, computer exploitation, food technology and design, research and development, and professional services of every kind. Talent expressing itself in -

ICI's Wilton plastics and petrochemicals site which includes Europe's largest petrochemicals complex and ICI's Materials Research Centre

British Steel's 3,000 acre plant operating Europe's largest blast furnace, producing three million tonnes of steel a year

Davy McKee's engineering and construction organisation serving the world's iron, steel and metal forming industries

BASF Chemicals' Seal Sands plant producing raw materials for acrylic and nylon fibres and engineering plastics production

Phillips Petroleum's North Sea terminal, handling every drop of oil from the Ekofisk fields, and processing, storing and loading it to tankers

Europe's biggest CAD/CAM centre - on Middlesbrough Enterprise Zone - and Teesside Polytechnic's CAD/CAM capability

RHM Foods' and other specialists' food and drinks development

Nissan's purpose-built terminal through which the bulk of its Japanese-made vehicles are distributed direct to UK dealers - and its UK production exported

Redpath Offshore, Whessoe and Davy Offshore, module makers to North Sea oilfields, poised for the future challenge

Davy Forge's advanced metals production techniques, meeting the exacting needs of aerospace, defence and medical technology

The biggest of them all, with great powers of control over 19 square miles of land, Teesside Development Corporation has the ability to harness Teesside's many strengths and place them at the service of investors and developers. The Development Corporation has an enthusiastic and representative Board drawn from every section of the community - including Local Authorities which have laid much of the foundation of new industry and facilities on which the TDC is building. Among Teesside's multiple strengths -

The commitment to its renewal programme of major development and investment forces: British Urban Development, Brookmount, Lovell Partnerships, Murray International, Postel, Trafalgar House, Taylor Woodrow, AMEC, Sir Alfred McAlpine, BICC, Costain, John Laing, Mowlem, Tarmac, Wimpey McLean Homes, Bellway Urban Renewals

The UK's second largest port in volume of trade handled - and the North East's principal gateway to and from Europe and the rest of the world

Through its port and excellent motorway and rail links, command of a massive population market in the UK and on the European mainland

A vote of confidence from major foreign investors. Already established on Teesside - companies from Japan, Hong Kong, Singapore, Germany, Scandinavia, the Netherlands and the USA

A lifestyle, derived from a compelling partnership of urban amenity and easy access to incomparable coast and countryside, voted near the top of the UK league table

All the financial incentives implied in Teesside's continuing status as a Development Area with two Enterprise Zones. Plus European community grant and loan opportunities

To find out more about Teesside's Initiative, Talent and Ability: Contact Duncan Hall, Chief Executive, Teesside Development Corporation, Tees House, Riverside Park, Middlesbrough, Cleveland TS2 1RE. Tel: (0642) 230636 Fax: (0642) 230843.

TEES/SIDE Initiative Talent Ability

'...where you have initiative, talent and ability, the money follows' The Rt Hon Margaret Thatcher, Prime Minister, Teesside, 16 September 1987

BRITAIN'S REGIONS 4

TransPennine route to northern growth

THE NORTH is redefining itself. This month a new organisation called TransPennine launched an action plan for 1989, appointed its first officers and announced a seminar at Bradford University in May to work out how the North can promote itself with one voice.

The chairman is Mr Justin Kornberg, the head of Lister, the Bradford textile company. TransPennine was his idea. He used to call it the M62 Club. He defines TransPennine as a new region running from Liverpool to Hull along the M62 and taking in all major conurbations within 25 miles on either side.

Mr Chris Haskins, the chairman of Northern Foods, is its vice-chairman. Mr J. Fletcher, a former Manchester Polytechnic lecturer who now chairs Pennine Heritage, has been appointed executive director.

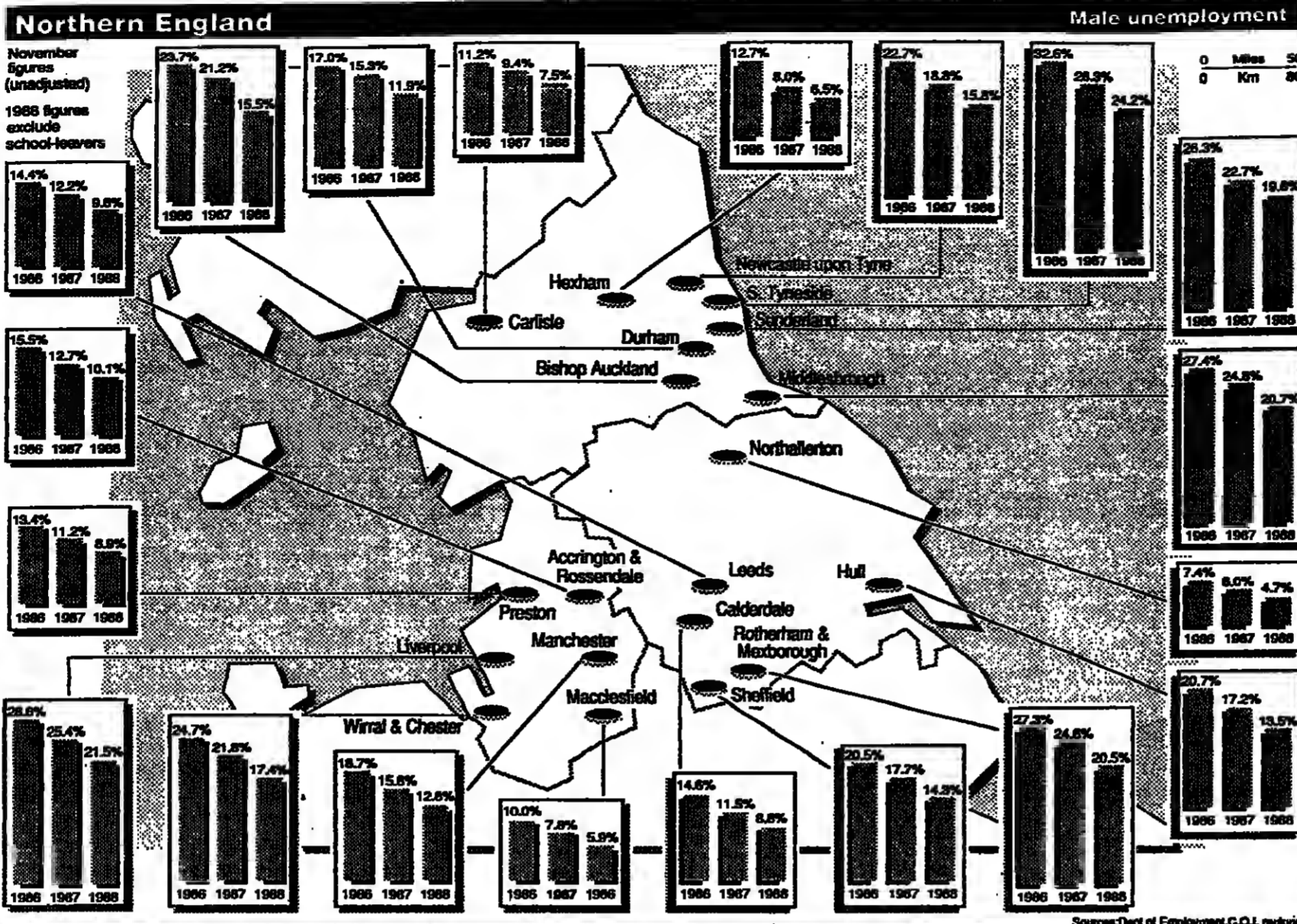
The headquarters are in Hebden Bridge, in the middle of the Pennines in West Yorkshire, a few miles from the county border with Greater Manchester. There is also heavy support from the private sector, including Barclays, Grand Metropolitan, Laporte, Nabisco, NatWest, Pilkington, RHM, Rowntree, Tesco, TFI, Unigate, Unilever, and Yorkshire Bank.

Less than 20 years ago, few believed that a road could be a desirable infrastructure, but it has. The M62 established an all-weather road across the Pennines for the first time, firmly linking the fundamentally strong economies of Greater Manchester and West Yorkshire and putting their regional economies on a par with those of the Midlands, Manchester and Leeds, now only 40 minutes from each other.

Each city has witnessed a marked growth in its professional and financial services in the past few years, with thousands of new jobs created. This is a sign of something new: banks, merchant banks, venture capital funds, accountancy practices, entrepreneurial solicitors and associated activities do not appear unless there is a market to service.

A major geographical boundary - the Pennines themselves - has been all but eliminated. Yet the fact that the Pennines are still a boundary for administrative and statistical purposes means that the figures by which we analyse what is going on in the northern economy no longer truly reflect what is happening and why.

A closer look shows that British economic development has not been slipping north and west in an even fashion. There is substantial restructuring of local economies, but across traditional boundaries. The effect is to make the overall position in parts of the north look better than it really is.



The Government divides the north into three economic regions - the North-West, Yorkshire and Humberside, and the standard North, which consists of the North-East and Cumbria, although, confusingly, the Manchester offices of at least two Government departments claim Cumbria as theirs.

9 per cent. The "standard North," which contributes only 5 per cent, is the least able to stand on its own feet. As a new region, TransPennine would therefore account for one-fifth of the UK economy, making it twice as big economically as the whole of Greece. More importantly, it would help pull together even more strongly the two hearts of the re-emergent north - Greater Manchester and West Yorkshire.

problem-solving skills and then branch out on their own. This in turn suggests that economic recovery should be fastest and deepest where the local economy is most broadly based, where the mix of large, medium-sized and small businesses is a well-balanced pyramid and where there is a spread of industries, commerce and services across several sectors.

turning over up to £7m a year and making around £750,000 in pretax profits. The number of quoted companies in the area - according to Henry Cooke, the Manchester-based financial services group, there are 215 based in Greater Manchester's hinterland - is further support for 3i's hypothesis of business formation, company development and economic growth; flotation is one way that entrepreneurs past and present can realise their growing capital.

81 of them, compared with 28 in South Yorkshire, 15 in North Yorkshire and 12 in Humberside. Excluding North Yorkshire, which is a special case because of its sparse population, South Yorkshire and Humberside prove the point. Their economies have been based narrowly on industries such as coal and steel, or fishing and ship repair, or dominated by large employers or capital intensive industries such as chemicals, where few workers are needed and entrepreneurial skills are not required among most of them.

These look a reasonable improvement over recent years, but they are misleading because they include very low rates of unemployment among women. Not only are these likely to be an imprecise record of female unemployment - the rules do not allow many married women to register - but in many places with high male unemployment the low rates among women reflect substantial part-time feminisation of the workforce in sectors such as retail services or light manufacturing.

N.Ireland's twin targets

OFFICIAL Government figures show that people in Northern Ireland are as concerned about unemployment as they are about terrorism. Statistics released by the Policy Planning and Research Unit (PPRU) in Belfast last month support the view that the community regards the battle for jobs and prosperity as important as security initiatives or efforts to make political progress.

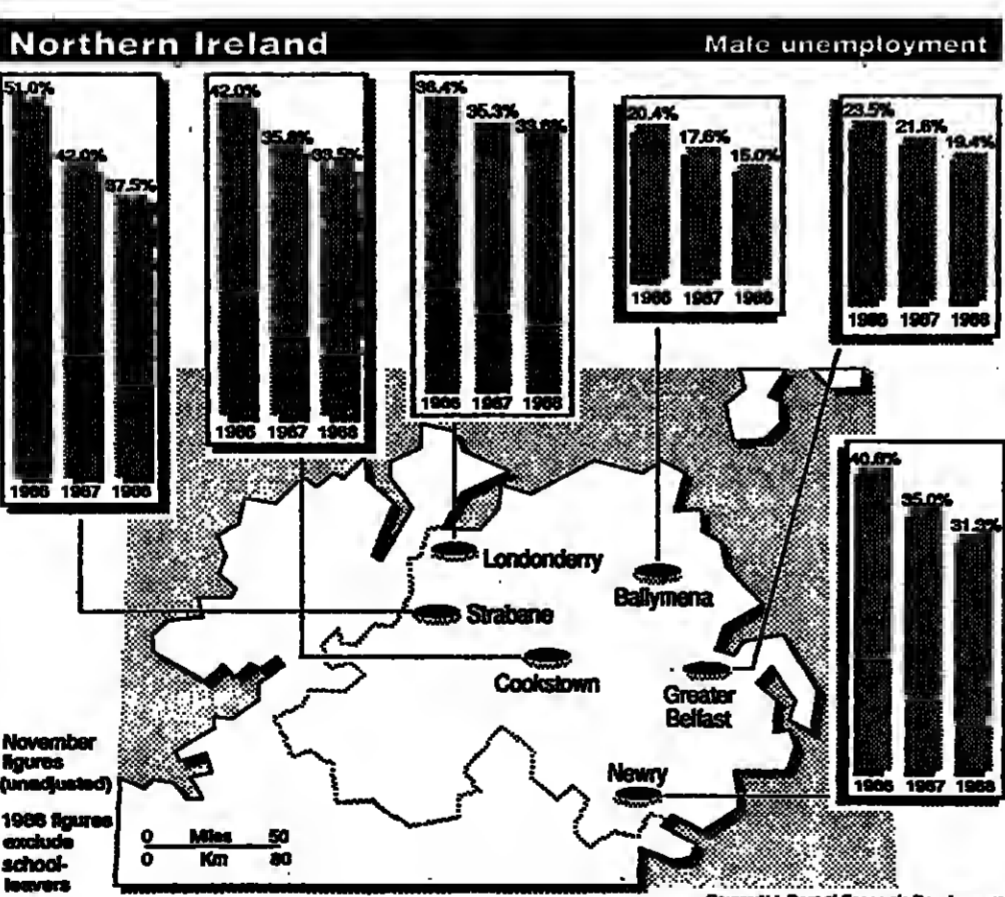
Genuine concern over the future of two of the province's biggest employers, Harland and Wolff, the Belfast shipbuilder, and Short Brothers, the aircraft and missiles manufacturer led to a mass demonstration recently in Belfast. The Government insists that privatisation offers the best long term hope for the future but that view is not shared by the 11,000 employed by the two companies. Privatisation has produced talk of British "economic withdrawal" an allegation denied by the Government which has maintained a high level of public spending in the province.

Public expenditure amounts to around 70 per cent of the province's Gross Domestic Product and more than 40 per cent of employment. While present levels of spending are likely to continue the Government has made it clear that Northern Ireland will not be set apart from general economic policy.

A banking "task force", set up under the auspices of the Government's Pathfinder initiative aimed at building a stronger economy, has investigated ways in which public funds may be "crowding out" the private sector.

While many private sector projects are heavily dependent on Government assistance, the long-term objective is to encourage higher levels of private investment. Two recent investments, which will create hundreds of jobs in unemployment blackspots, suggest that Northern Ireland has a lot to offer potential business customers.

Montupet, the French car components company, is creating 1,000 manufacturing jobs in a £50m investment at the former John Deere car plant in west Belfast, and South Korea's Daewoo Electronics group is creating another 600 jobs in an £18m video recorder factory at Antrim.



arrived at a time of steadily falling unemployment in the province. Although the underlying trend of unemployment is down, at around 15.7 per cent the province still has the highest unemployment rate in the UK with some areas among the worst in western Europe. Cookstown in Co Tyrone topped the unemployment league in November with a rate of 28.5 per cent, followed by Strabane with 26.6 per cent and Newry and Mourne with 25.8 per cent. In contrast the greater Belfast area which includes several satellite towns had an unemployment rate of 15.3 per cent and Ballymena had 11.7 per cent.

whole suggested the province was poised to reap the benefit of higher levels of investment and a higher level of new jobs than before. But in spite of Government optimism about investment, economic surveys have not been encouraging. A report published by the Northern Ireland Economic Research Centre this month suggests that the province's economy will grow slower than the national average and unemployment will rise to 19 per cent. And unlike other regions, Northern Ireland's population will continue to rise, the report adds.

Dr Gudin, the report's editor, states: "Although congestion and labour shortages in the South-East (of England) will lead to decentralisation of economic activity to neighbouring regions, there is little sign that this process will be strong enough to benefit peripheral regions like Northern Ireland." The Allied Irish Bank's recent economic review said that given the reliance on Gov-

Wales: an east-west divide

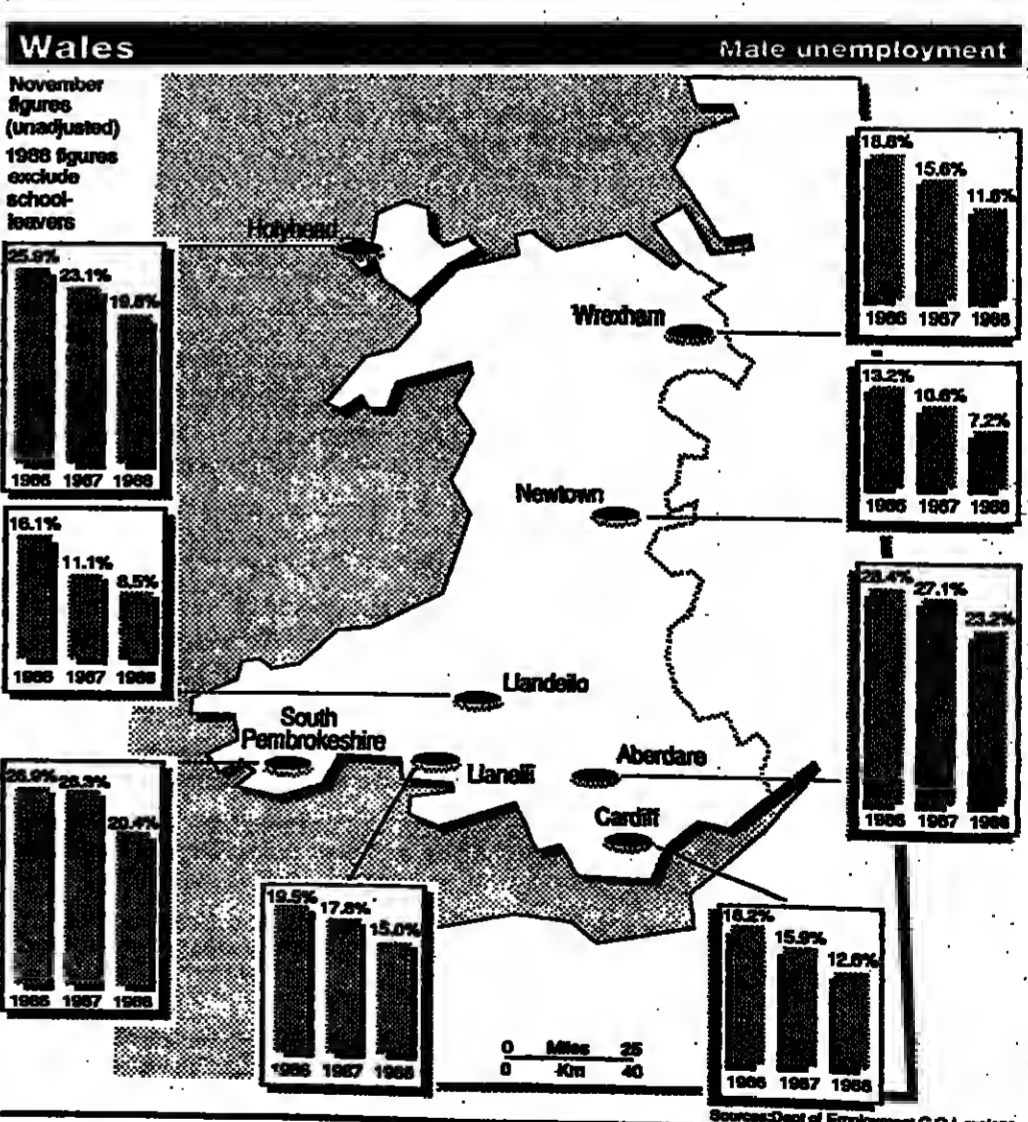
GIVEN ITS position on the "wrong" side of the Humber-Severn line, there has been remarkable optimism, bordering in some circles on euphoria, over the economic prospects for Wales. The Secretary of State for Wales, the development agencies and employers' organisations talk enthusiastically of an economy "on the move".

Even Cambridge Econometrics in its recent survey of regional prospects concluded that, of the peripheral regions, Wales is the one likely to fare least badly over the next decade. It is not difficult to find reasons for this optimism. Manufacturing output has grown by 15 per cent since 1982; construction activity, a leading indicator, has increased by 30 per cent in the past two years; and unemployment, which exceeded 17 per cent in 1986, currently stands at 9.8 per cent. But the improvements are patchy. On closer examination the recovery appears uneven and fragile.

The most encouraging feature of the decade has been the persistent growth of manufacturing. Electrical engineering has been particularly well, output having risen by 50 per cent since 1982. This partly reflects Wales' remarkable success in attracting Japanese and other foreign companies, which are well represented in this sector, and partly a strong and indigenous presence in the form of the AB Electronic Products Group.

The electronics industry, however, illustrates clearly the geographical unevenness of growth: a high concentration of new developments is within a few miles of the eastern half of Wales' section of the M4. Indeed, growth performance generally seems to decline along an east-west gradient in south, north and mid-Wales. Proximity to Old's Dyke and to major lines of communication to neighbouring English centres of population are major characteristics of the more successful areas.

The most successful sub-region is the 40-mile coastal strip centred on Cardiff which includes South Glamorgan, south-east Gwent and the southern edge of Mid Glamorgan. Here, intermediate Area status, proximity to London have proved a big attraction. Major construction projects being mooted, like the second Severn bridge, the Cardiff docks redevelopment and the Severn barrage could confirm this area as an "enclave" of south-east England.



confirm this area as an "enclave" of south-east England. In north-east Wales, a stimulant, if more modest, revival has been taking place. Despite suffering badly from the partial closure of Shotton steelworks in 1980 which involved some 8,000 redundancies. Since then the availability of labour and sites, plus attractive financial incentives, and the area's proximity to large centres of population, have led to a reversal of fortunes. In central Wales, the strategy of Mid-Wales Development has also been to concentrate efforts close to the border, with Newtown the chosen growth pole.

Wales' east-west divide is illustrated most clearly by the unemployment trends. Whereas male unemployment rates have remained stubbornly high in the more peripheral industrial towns like Holyhead and Milford Haven, those in the eastern growth areas are not only lower but have also shown a greater response to the general improvement in the economy. The east-west polarisation is over and in the south by the uniform weakness of the industrial valleys which stretch from Dyfed to Gwent. The southern fringes of the valleys, close to the M4, are able to boast some successes in attracting new industry but these gains have been overwhelmed by the scale of contraction in coal and steel. Some 14,000 jobs have been lost in deep-mining since the end of the coal strike and further closures are planned. In less

favourably located communities, like Aberdare and Blaenau Gwent, one in five males remain out of work. The uneven development and unequal prospects are reflected in population movements within Wales. Between 1981 and 1987, 3,300 people moved into South Glamorgan (2,200 in 1986-87 alone) whereas 12,000 left Mid Glamorgan. Within that county there was a substantial shift from the northern valleys to the south. While nearly 5,000 left the Rhondda, the same number came to Gwent (centred on Bridgend). In Gwent, 7,200 people left Newport and 2,400 left Blaenau Gwent, both hard hit by steel redundancies, whereas neighbouring Monmouth district (which includes the Severn

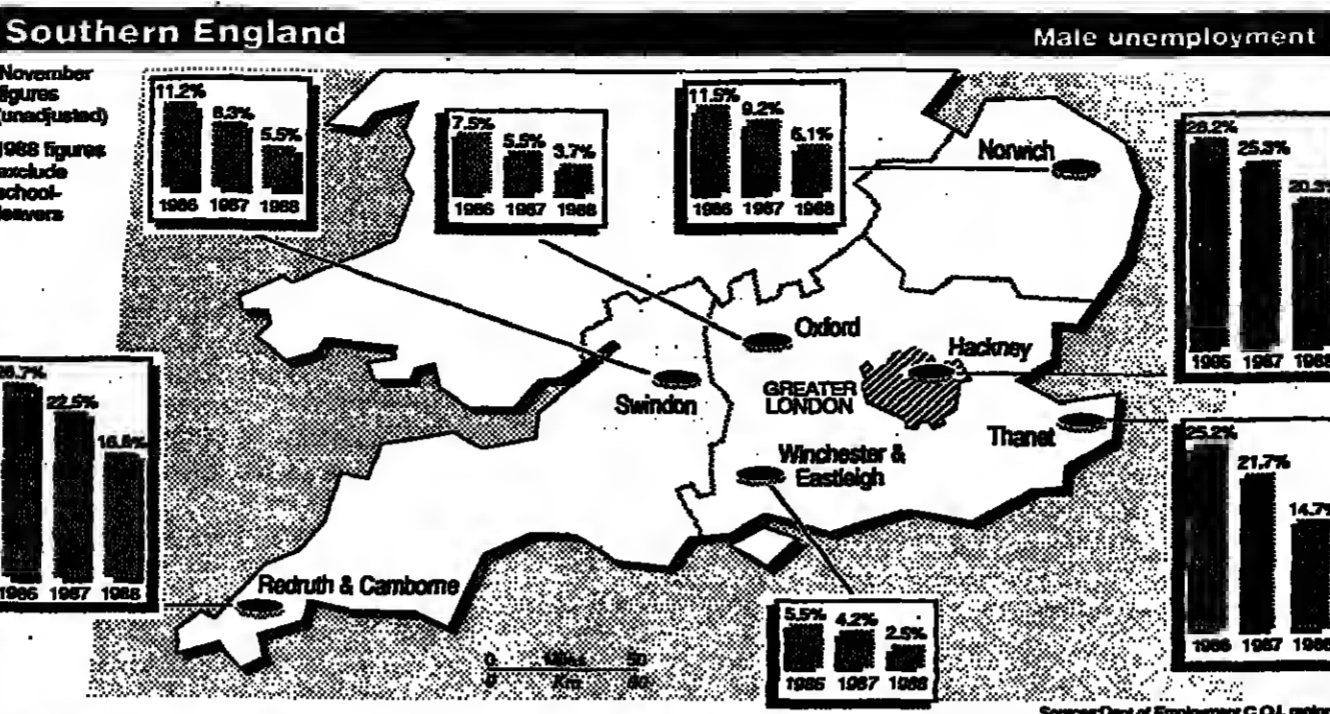
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BRITAIN'S REGIONS 5

Southern England: pressures of success

AN OPTIMISTIC view of the problems of overdevelopment in the south-east of England was taken by Mr Nicholas Ridley, the Environment Secretary, when he addressed the National Housing and Town Planning Conference recently.

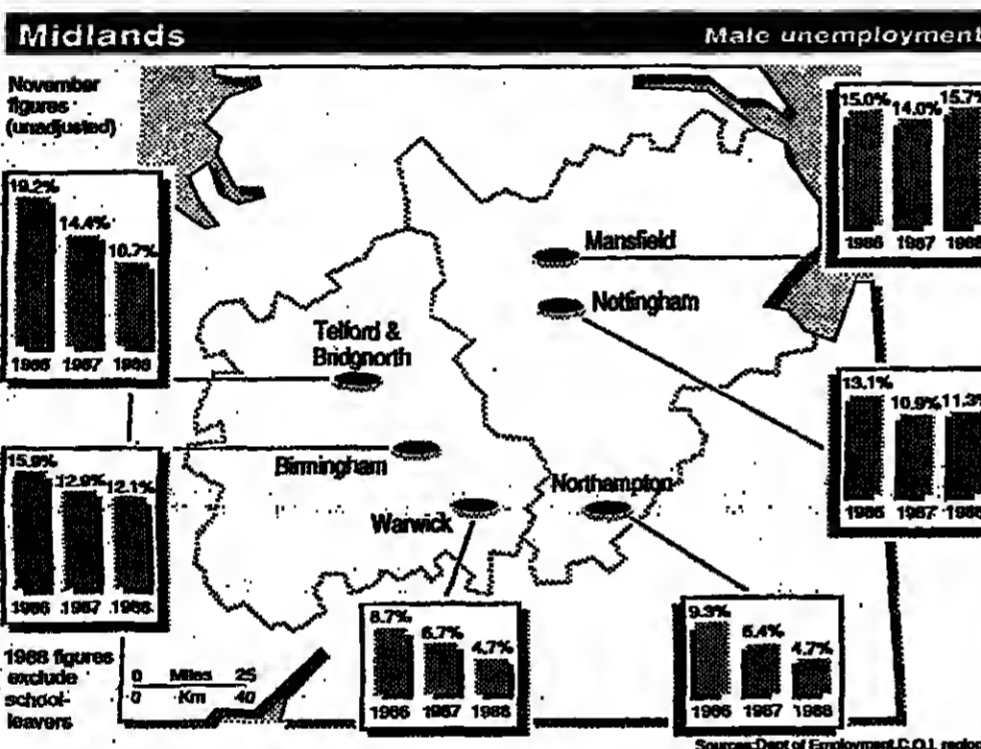
Channel Tunnel and its effect on Kent and the expansion of Stansted airport in Essex. In addition Mr Ridley is having to deal with a spate of new proposals for large out-of-town shopping centres.



the countryside. But this begs the question. It is the sheer scale of development in rural areas outside the green belt that has so alarmed his critics.

Midlands' internal variations

IT WOULD be natural to suppose that plans for a high-technology business park that could eventually create 12,000 jobs might be welcome in a region like the West Midlands, where male unemployment is over 12 per cent.



The trouble is that unemployment is not a problem in Warwickshire. Male unemployment in the county town a travel-to-work area is a mere 4.7 per cent and people in the surrounding villages are more interested in preserving rural tranquility than they are in unemployment.

304,000 manufacturing jobs disappeared. Today, Birmingham has nailed its colours to the service sector mast and is trying to turn itself into an international business city with its National Exhibition Centre and International Convention Centre.

the old metal-bashing industries that sprang out of the ready availability of the industrial revolution's main raw materials - coal, iron and limestone. Today, these much-reduced industries are in a strong recovery phase.

An east-west divide

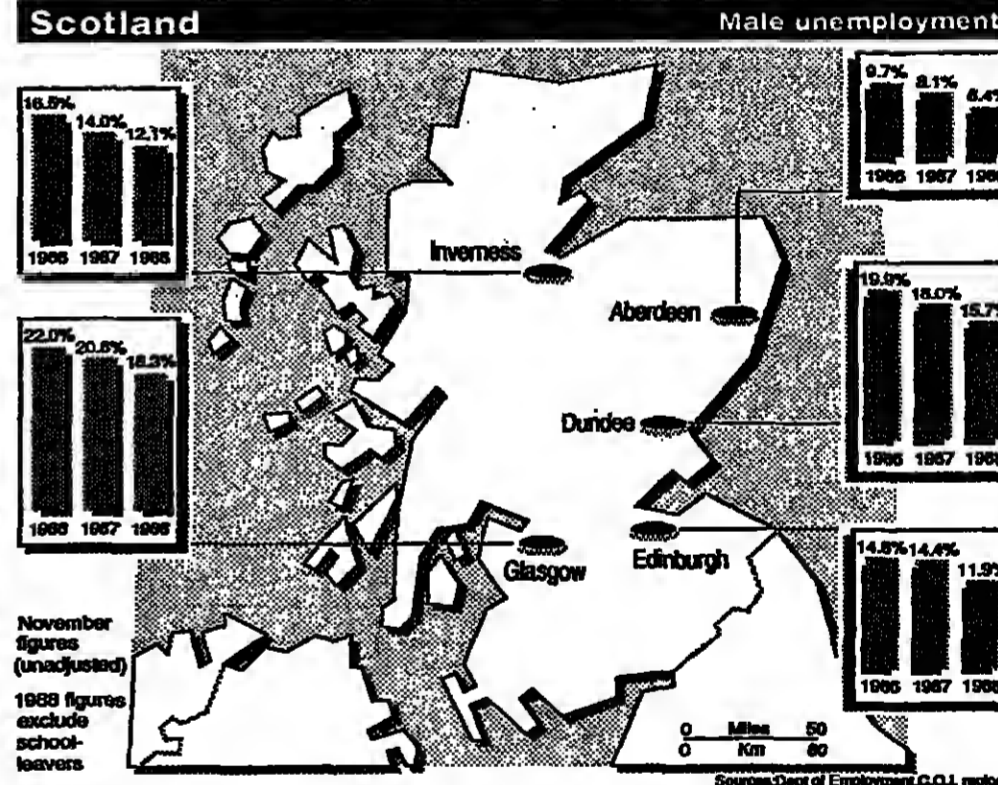
From previous pages (see bridge approaches) gained over 8,000. Industrial West Glamorgan has also suffered from emigration (nearly 9,000 left between 1981 and 1987).

virtually static in recent years. Self-employment did increase rapidly (by 20 per cent) between 1983 and 1984. But since 1984 neither employment nor self-employment has increased.

Again, though, it is the service sector that is thriving. The jobs are moving to Coventry are office jobs according to Mr Mackie, industry prefers to stay where it is, terrified of losing its skilled labour in a move and surrounding problems of capacity by subcontracting to suppliers in the north.

Speckled picture in Scotland

AT A superficial glance, Scotland seems to be doing relatively well at the moment. Despite the onset of high interest rates, opinion surveys report the confidence among businesspeople is still strong.




decade's rise in house prices last year was, at 35.5 per cent, the second highest of the Scottish cities, after Edinburgh. In the central belt, Edinburgh is doing fairly well but ought to be doing better. It has high male unemployment (see chart) and its population of about 440,000 is falling.

export-oriented manufacturers of capital equipment in the towns surrounding Glasgow have mostly done well in the past year or two. The centre of Glasgow has thrived, thanks to increased use of the city's professional services by industry growing tourism encouraged by a sustained campaign to improve the city's image and last year's Garden Festival.

Scotland has been wrenched agonisingly out of its over-dependence on heavy industry in the past 20 years and now has an economic profile - the division of output and employment between services and manufacturing - very similar to that of the UK as a whole.

James Buxton


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PROJECT	CRITERIA
Relocation of Insurance Services Group and Information Technology Centre.	Cost savings in office accommodation. Availability of 300 local personnel. Good communications with rest of UK. Local infrastructure. Quality of Life.

DECISION
Cardiff 1976


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PROJECT	CRITERIA
Location of one of three main booking centres in UK.	Readily available inexpensive offices. Availability of workforce. Good communications links. Infrastructure. Quality of Life.

DECISION
Cardiff 1977


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PROJECT	CRITERIA
Relocation of capital markets back office processing, accounting and data processing functions.	Readily available workforce. High quality, inexpensive premises. Good telecommunications. Good road/rail links with London. University City.

DECISION
Cardiff 1983

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TSB Trust Company Limited

PROJECT	CRITERIA
Relocation and expansion of General Insurance Division.	Up to 300,000 sq. ft. purpose built offices. 2,000 people. Ease of communication. Scope for expansion.

DECISION
Newport 1987


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DC Gardner Group plc
International Banking Consultants

PROJECT	CRITERIA
Establish new office to handle financial and human resource training.	Good infrastructure. Fast communications with the City. High quality, inexpensive offices. Enthusiastic and adaptable workforce. Expanding financial centre.

DECISION
Cardiff 1988

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N M Rothschild & Sons Limited

PROJECT	CRITERIA
New branch office offering a full range of merchant banking activities.	Fast growing local economy. Banking and corporate finance opportunities.

DECISION
Cardiff 1988

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NATIONAL PROVIDENT INSTITUTION


PROJECT	CRITERIA
Staffing and accommodation needs of a leading life insurance business with substantial growth plans.	77,000 sq. ft. offices. City centre site. 500 people. Quality environment. Strong local support. Communications.

DECISION
Cardiff 1988

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They have.
Will you?

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.



BNP Mortgages

PROJECT	CRITERIA
Expansion by the residential mortgages arm of BNP.	Dedicated local staff. Excellent professional infrastructure. High educational standards. Quality of Life.

DECISION
Cardiff 1988

TSB have. Rothschild have. N.P.I. have. In fact, all these financial organisations have either moved to South East Wales, or expanded their operations in this flourishing financial location. They are just part of a thriving commercial sector who've capitalized on the area's great potential. Shouldn't you, too?

With its low overheads, numerous modern offices and greenfield sites, excellent communications and highly-skilled and readily available workforce, you'll find South East Wales a very attractive proposition indeed.

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For more information about South East Wales, ring Cardiff (0222) 222666 and talk to Stephen White, who heads our Financial Services Team. Or, if you prefer, write to The Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff, CF1 3XX.



BRITAIN'S REGIONS 8

Transport: improved links are vital to regional growth but ...

South-East will grab the cash

MR PETER Bottomley, the Roads Minister, attracted a lot of unwelcome publicity a few months ago when he urged motorists to think of traffic congestion as a sign of prosperity.

The remark was widely regarded as shocking evidence of ministerial complacency in the face of the daily frustrations facing millions of drivers on Britain's roads.

In terms of political sensitivity, Mr Bottomley's remark rated somewhere alongside former Prime Minister Jim Callaghan's famous question - "What crisis?" - at the height of the 1978/79 Winter of Discontent.

In fact, however, Mr Bottomley was right, though he may also be complacent. One of the major difficulties of transport planning is that growth in demand is a lagging indicator - generally emerging some time after growth in the economy as a whole.

The transport infrastructure in use now was designed either when the overall level of economic activity was much lower, or, in the case of the 1970s and early 1980s, when growth appeared likely to stop altogether.

The result is crowded roads, overloaded trains, and a lot of lost time and money. The Freight Transport Association, for example, recently calculated that delays on the M25 London Orbital Motorway are costing the haulage industry around £12m a year.

Unfortunately for Britain's regions, with the exception of links such as the M62 and the M6 between Birmingham and Liverpool, most of this congestion is concentrated in the South-East.

From the point of view of the regions, there are great dangers in the political pressure which can be brought to bear by the South-East, especially on a Conservative government.

For example, a great deal of thought is currently being given to improving the links between central London and Heathrow airport, and money is already being spent on improving the rail link from London to Stansted airport.

Yet northern businessmen and politicians have been pressing unsuccessfully for years for Government action to divert some excess air traffic from the South to northern airports such as Manchester.

By the same token, Mr Paul Channon, the Transport Secretary, is currently considering a series of options for improved intra-London rail and Underground links presented in the Central London Rail Study, prepared by London Underground and British Rail's Network South-East sector.

Yet businessmen complain that plans to BR for electrification of important rail lines, such as those serving Bradford, Derby, Chesterfield, Sheffield, Nottingham and Hull, fall on deaf ears.

The political pressures created by congestion in the South-East are exacerbated by the economic pressures arising from the proposed completion of the European single market in 1992, and the construction of the Channel Tunnel, scheduled for completion in 1993.

The Government is committed to improving the access

at Willesden could add up to six hours to some journeys from the North.

Mr Brown is now drawing up plans for a series of regional freight depots at which trains will be forced to run direct to the tunnel, bypassing London on upgraded lines to the west.

The regional depots - at Stratford, Liverpool and/or Manchester, Leeds and/or Wiltun (near Redcar), Birmingham and one other Midlands location, and South Wales - will have Customs clearance facilities and could help BR achieve its target of 30 per cent of cross Channel freight traffic.

Mr Brown says he accepts that Willesden is not "a saleable alternative," and that BR's own profits will be maximised by decentralising the international freight operation.

Yet this is precisely what northern interests have been saying for months. The Leeds

England by creating a viable east-west axis to rival the historical pull of the south.

As a result, manufacturing companies such as Northern Foods and Coleroll have been encouraged by the motorway link to sites in areas they might otherwise not have considered.

Pilkington, the world's biggest glassmaker, recently decided to site a new plant in St Helens, Lancashire, and supply its southern markets via the motorway network, rather than pay a £25m premium to site the plant in Kent.

On the rail front, British Rail electrified the West coast main line to Liverpool and Glasgow years ago, and is currently completing the electrification of the East coast main line as far north as Edinburgh.

Yet there remains a widespread feeling that the North is a poor relation, with transport links which do not measure up to the requirements of the region.

There are literally dozens of suggested improvements - the Confederation of British Industry lists 25 road schemes it would like to see started in its northern, north-western and Yorkshire and Humberside regions alone.

Other lists have been produced by the Association of British Chambers of Commerce, the British Road Federation, the Road Haulage Association, local councils and academics.

There is general agreement on a number of priorities, however.

● Upgrading of the A1 to motorway standard throughout its length. The A1 - the major North/South link east of the Pennines - still has nearly 2,000 junctions with minor roads, farm yards and private houses.

● An all weather route from Sheffield to Manchester along an improved A628. This would be 30 miles shorter than the journey via the M62, and would reduce congestion on the motorway. It could also ease pressure on the M6 by providing an additional North/South link via the M1.

● Improving the northern-transpennine routes by dualing the A66 from Scotch Corner to Penrith and on to Workington, and dualing the A69 from Newcastle to Carlisle.

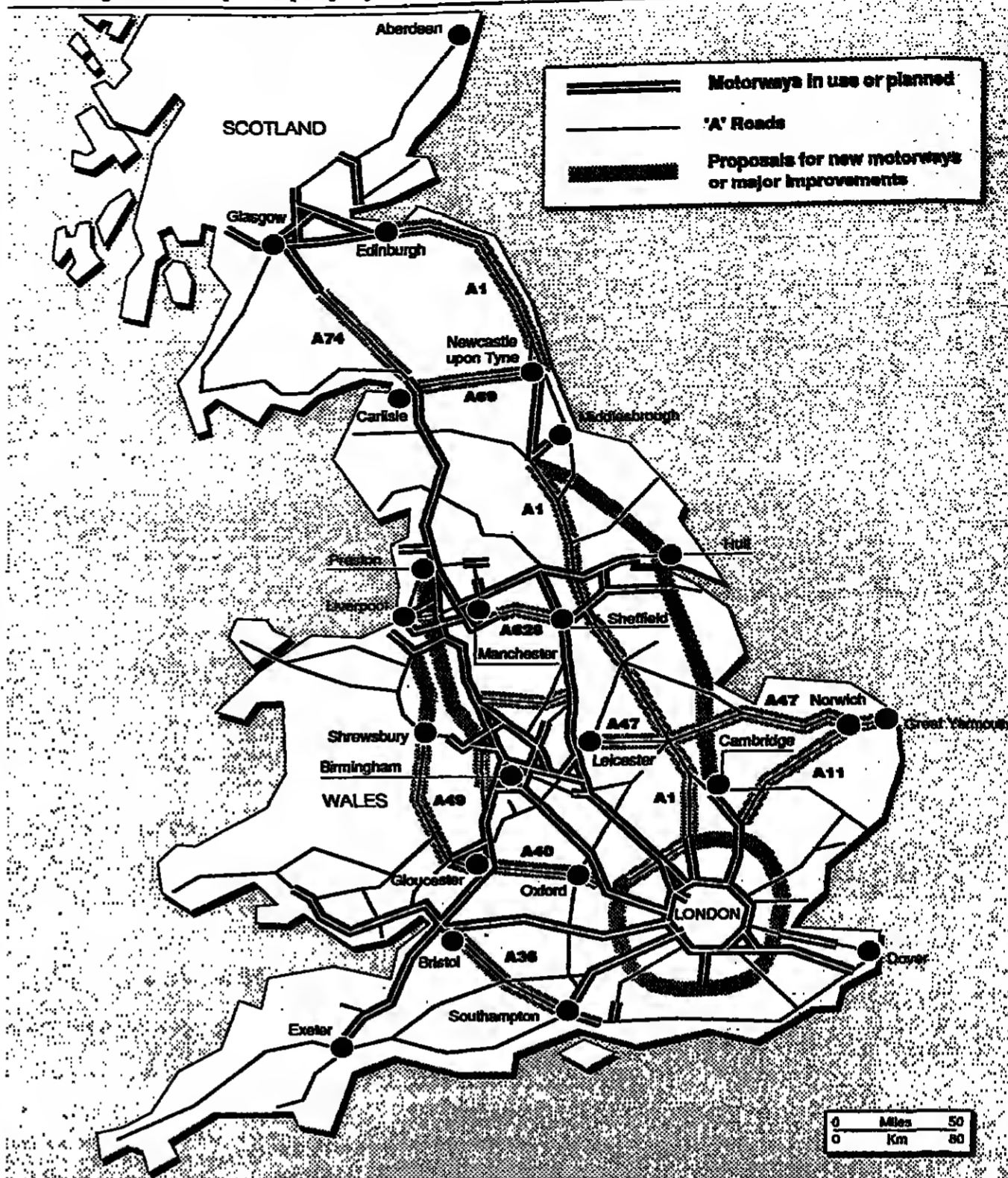
● An M6 relief road, built to motorway standard to the West of the existing motorway and linking with the M42 and M40 via the planned Birmingham western orbital route.

There are also proposals for an East Coast motorway, which would extend the M11 northwards to the Humber Bridge, passing close to the Wash before crossing the under-used Humber Bridge and on to Scotch Corner.

Mr John Gunnell, chairman of the Yorkshire and Humberside Development Association and the North of England Regional Consortium, says the proper response to both southern congestion and the opportunities of Europe is to shift investment to the North.

"If we don't get reasonable

The way ahead? (Principal proposals)



To transform prospects in the North requires a conscious decision to invest in new transport

roads to the Channel ports, as part of the package of measures intended to alleviate the impact of the tunnel on the ferry industry.

Separately, British Rail is moving towards a deal on a high speed rail link from London to the tunnel portal which would match the 180mph running which is expected on French and Belgian tracks.

The high speed link will probably be at least partly financed privately, but the effect is likely to be concentrate attention still further on the problems and opportunities of the South East, and away from the North.

Ideally, the Channel Tunnel should present an opportunity for northern businessmen to penetrate the expanded European Community market of 500m people which will be brought within a few hours by rail.

But only hard bargaining, and the support of Eurotunnel, the Channel tunnel consortium, has helped persuade BR to move towards abandoning plans to channel all international freight services through a single depot at Willesden, in North London.

Mr Ian Brown, managing director of BR's Railfreight Distribution division, says a review carried out by his staff has concluded that bottlenecks

Chamber of Commerce, for example, asked in a report published last Autumn why BR appeared to be foregoing "a major business opportunity."

Railfreight provides a good illustration of the fears of many in the North that the regions will simply be forgotten as economic growth continues to concentrate attention on the South-East.

"There is a great danger that investment will be focused on the South-East, partly to combat congestion. But prosperity in Britain needs to be much wider spread," says Mr David Fletcher, executive director of TransPennine, a private-sector group recently launched to lobby for more investment in the North.

"A picture of Britain with an overheated South-East trying to support the declining regions is not an attractive one," he adds. "What we have to do is to promote the investment in transport links as well as in other areas, which will ensure that economic growth is experienced in the North."

The Government is able to point to a great deal of investment in transport links to the regions over the years, some of it very successful.

The M62 motorway, for example, has changed the geography of the north of

infrastructure there will be an even greater disparity between our region and the South-East than there is at the moment, and that cannot be good for anyone," he says.

Yet Mr Gunnell says there is little hope of positive Government action to promote investment in the North in a climate in which, for example, air traffic is being diverted from Manchester to Stansted.

"I think we need to look at strategic planning on a regional basis. That would be very beneficial in terms of sorting out the priorities which would get the North going again," he says.

"It is not that we are not seeing an increase in economic activity in the North now, but we have a long way to go before we catch up with the momentum of the South-East. There is powerful support for

the Government view that the prosperity of the South will gradually spread until it takes in the North. For example, Peter Hall, Professor of Geography at Reading University, concluded in a recent study "It was not too fanciful to think of transforming the North through the laissez-faire mechanism, rumoured to be in favour among some Government ministers: by letting the South ripple north until it reaches the North."

However, Mr Hall also concluded that the necessary conditions for a rapid change of economic conditions in the North do not yet exist.

"To transform development prospects in the North...will take a conscious decision to speed up the natural trends, by investing in new transport technology," he writes.

Kevin Brown

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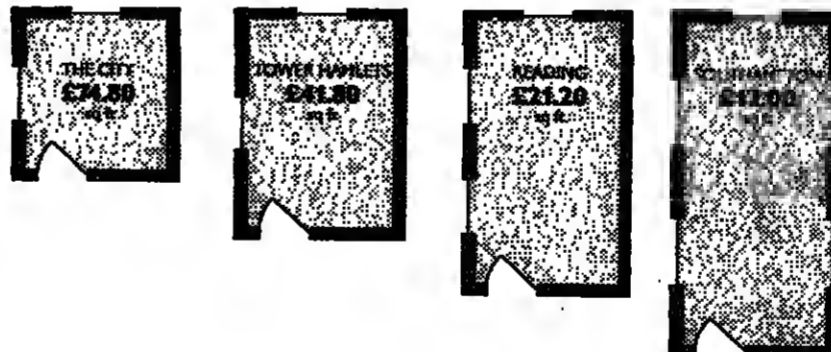
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North of England development agencies are breaking records Greater sense of teamwork

THE THREE Government-backed inward investment agencies for the north of England have been doing record business, with new jobs being imported in batches of hundreds.

There are now 22 Japanese companies in the North-East and 24 West German ones. In the North-West the area around Humberside is beginning to look like a US colony. On Humberside, Mitsubishi is setting up a factory in Hull docks and Citizen Watch is making computer printers at Scunthorpe.

Nissan, the most high-profile foreign investment of recent years, is expanding car production quickly in Washington, Tyne and Wear and has now created over 3,000 jobs. In nearby Birtley, Komatsu is branching out from excavators into earth movers.

Understandably, these successes are being "talked up" for promotional purposes, but an occasional note of caution can be heard among the fan-fares.

The Rev Bill Wright, a pioneer of enterprise training in the schools of Cleveland, put it this way to a Business in the

An occasional note of caution is to be heard among the fanfares

209,900, while the figure for what the Government calls the "North" — comprising the North-East and Cumbria — was nearly 154,000.

Most inward investments make only a tiny dent on such numbers, as evidenced by the

first big new investment announced this year. This was the conversion of a dockland warehouse in Hull by Mitsubishi to make service modules — such as toilets and plant rooms — which are slotted straight into new or refurbished buildings. The factory may eventually create 200 new jobs.

However, the value of such things cannot be looked at in isolation. Dr John Bridge, chief executive of the Northern Development Company, one of the agencies, points out that investments and expansions by foreign companies can only take place if there is a network of component suppliers in the area.

This is vital if the inward investors want to use the UK as a base for exports throughout the European Community. Local content is critical to goods being accepted as "European." This content has to come from indigenous UK industry. This in turn means that local suppliers have to meet high standards of design and quality at competitive prices.

The development of this infrastructure of supply has been a key factor in the increasing success of the inward investment agencies in recent years. For example, the Yorkshire and Humberside Development Association (YHDA) would not have persuaded Citizen to Scunthorpe if the necessary quality of injection moulded supplies had not been available in nearby West Yorkshire.

In the North-West, the Manchester offices of the Japanese banks Fuji and Sanwa make great play of this as their staff service existing Japanese-owned companies all over the north and scout the ground for new ones thinking of moving in. The Japanese banks say that 10 years ago this infrastructure of competent suppliers did not exist.

The aptly named Inward, the north-west's agency to attract foreign investment, exploits the region's growing network of smaller, high technology, suppliers as hard as it can.

Inward, however, exemplifies something else of what is happening — the regions have been getting better at getting

their act together. When Nissan first went hunting for a British base in the early 1980s, one of the axes with which the North-East beat its rivals was the quality of its teamwork.

This was far superior to that of Yorkshire and Humberside which many admit privately to have been characterised more by disarray than togetherness. Lessons have been learned everywhere from this. Competition and rivalry for jobs continues, but not on a beggar-my-neighbour basis, even between the regions.

The North-West — where the rivalry of Liverpool and Manchester has been raging for the greater part of two centuries — was the last of the three regions to sort itself out.

It took skilful diplomacy by Mr Ken Medlock then a Merseyside business leader and now Inward's chairman, to pull people together. Mr Basil Jude, the chief executive, is a former leader of Cheshire County Council, while headquarters is in Chorley, deep in the heart of Lancashire.

Crucial to this greater sense of teamwork had not only been the willingness of local authorities to sink differences but also of the private sector to support the agencies.

The Northern Development Company struggled to ensure that Durham, then Cumbria, came into its fold, but it had difficulty in getting more than 200 private sector companies in the North-East to subscribe.

Meanwhile, the YHDA — chaired by Mr John Gunnell, a prominent Yorkshire Labour

Local content is critical to goods being accepted as European

politician — successfully recruited leading large companies as sizeable sponsors, not least on the grounds that inter-trading between them and inward investors would be good for business in general.

As the regional agencies have developed, so have individual local ones in a stratum below them, pushed by local authorities. For example, Durham and Leeds have set up development companies, Merseyside has set up Boom — Business Opportunities on Merseyside — with Liverpool University and the financial sector in the lead — Sheffield City Council has reached a new-vaunted rapprochement with private industry, and in Halifax and Blackburn, Business in the Community has set up partnership experiments to pull together public and private sectors in common cause on industrial development.

This is not just about inward investment from abroad but from the overcrowded South-East. Mr Charles Mowbray, chief executive of the YHDA, says that inquiries from that direction are "ever increasing."

But he still warns: "Fear and ignorance of the north seem to be the main factors in the reluctance of southern firms to look further afield to expand. It is up to the region as a whole to get the message across."

What the north offers is effective infrastructure, an adaptable workforce, a lower cost base and a high quality of life, particularly for those moving out of the crowded South-East.

Most of the 2,050 new jobs reported by the YHDA in the last two months of 1988 were expansions of UK companies, some already in the north but headquartered elsewhere, and many of them newcomers. The message seems to be getting through.

Ian Hamilton Fazey

Scottish and Welsh Development Agencies Political paths diverge

THE Scottish and Welsh Development Agencies have an importance that exceeds their purely economic functions. Because they have a high public profile and are one of the relatively few ways in which governments can directly influence local economies, much of what they do has strong political overtones.

Thus once again the Scottish Development Agency is in turmoil as it prepares for yet another change in its role and structure, and changes may be in the offing for the Welsh Development Agency too.

The Scottish and Welsh Development Agencies were founded by the Labour government in 1978. Both Scotland and Wales were suffering severely from the decline of traditional industry and its effects on social conditions.

The agencies were formed to regenerate their local economies and were specifically charged with involving themselves in industry, which they did in part through a number of attempted rescues of lame duck companies, not all of which were successful. They were also given an important role in the renewal of derelict urban areas, in factory building and leasing and in attracting inward investment from abroad and elsewhere in Britain.

In Northern Ireland the Industrial Development Board has a more limited role in assisting both established companies employing more than 500 people and in attracting inward investment, where it has recently had some spectacular successes. It is part of a government department rather than having separate status.

The Conservative government which came to power in 1979 was initially intensely suspicious of the highly interventionist agencies. But it did appreciate their importance to the depressed economies of Scotland and Wales and gradually realised that the agencies' registered achievements for which governments could take credit.

Both agencies were directed to take a more catalytic than directly interventionist role, attempting to involve the private sector as much as possible.

ies' greatest strength appears to be the fact that they contain a cadre of highly able, dynamic and skilled people, bringing more imagination to bear to the problems of their countries than civil servants.

Yet relationships between the SDA and the Scottish Office continued to have their tensions. Ministers were irritated that the SDA always seemed to gain credit which they felt ought to have gone to the Government — especially in the field of inward investment, which is the responsibility of Locals in Scotland, technically a joint operation between the Scottish Office and the SDA. Civil servants, for their part, did not like the agency taking initiatives they had not been informed about.

In Wales tensions of this kind appear to have been less, though they still arise from time to time.

Since the 1987 general election

They contain a cadre of highly able, dynamic... people

tion the paths of the two agencies appear to have diverged. Mr Peter Walker, the Welsh Secretary, is of a more interventionist bent than Mr Malcolm Rifkind, the Scottish Secretary, and procured a 37 per cent increase in the WDA's annual grant for the current financial year. The SDA's grant, by contrast, rose only five per cent.

In mid-1988 the SDA, just emerging from the disruption of regionalisation (which had been implemented earlier in Wales) suddenly faced the



Peter Walker: of more interventionist bent

prospect of drastic new changes. Mr Bill Hughes, chairman of the Confederation of British Industry in Scotland, proposed an initiative to clear up Scotland's unemployment blackspots through the creation of a new body that would merge the employment creation role of the Training Agency (once the Manpower Services Commission) with the SDA. The new body, to be called Scottish Enterprise, would operate through a number of local agencies under the direction of businessmen.

Mr Rifkind and Mrs Margaret Thatcher, the Prime Minister, seized on Mr Hughes' proposals with alacrity. They were, as Mrs Thatcher said, "a Scottish solution for a Scottish problem," which had its political attractions for the beleaguered Conservative Party. They coincided with ideas for employment training being developed by Mr Norman Fowler, the Employment Secretary. They also offered the chance of firmly putting a Conservative stamp on an institution which is still remembered as a Labour Party creation.

The new scheme was formalised in a White Paper in December and is now the subject of consultation. Despite deep fears in the run-up to the publication of the White Paper, that the SDA would in effect be broken up, the document indicates that the agency will retain its core functions, and will only delegate powers to local agencies (if it is proposed that there should be 22 of them) as and when the local bodies show themselves capable of taking them on.

Doubts have been voiced as to whether businessmen will have the time and commitment to dedicate to the local agencies, and the White Paper itself criticises them for having shown little interest in training in the past.

Another criticism is that, as each local agency fights for its own patch, the use of resources could become even more redistributive than it is at present. In general, however, the Scottish Enterprise idea has broad political backing.

The idea of establishing business-led Training and Enterprise Councils in the rest of Britain (but not Northern Ireland) was put forward by Mr Fowler in a White Paper in December. They will therefore be established in Wales in some form. Mr Walker has made clear that he wants the WDA to remain as it is, though he added that training would be coordinated with the agency's enterprise promotion role. The Employment Department's White Paper said that the two functions would be integrated. Now the Welsh Office is said to be "considering" how this will be done.

James Sutton

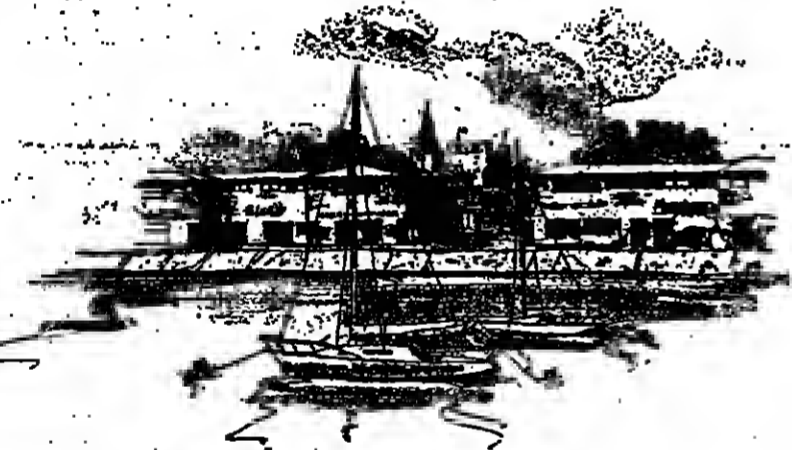
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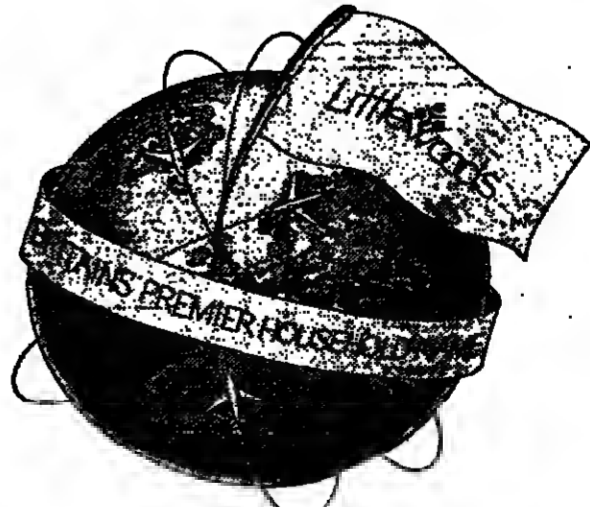
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BRITAIN'S REGIONS 10

Hazel Duffy on the Government's inner city initiatives
Search for urban uplift

"We've got a big job to do in some of those inner cities, a really big job. Our policies were geared - education and housing - to help the people in the inner cities to get more choice and, politically, we must get right back in there because we want them too, next time."

In his new book on Whitehall, Mr Peter Hennessey quotes in full what Mrs Margaret Thatcher, UK Prime Minister, said in June 1987. The Conservatives had won the election comfortably. But every big northern city had stayed in Labour hands, fuelling Opposition taunts that Thatcherism had divided the country.

Inner cities first formally gained the status of a policy 20 years ago. It was largely aimed at ameliorating social problems. In 1977, the White Paper on inner cities steered the emphasis to include regeneration in partnership with local authorities.

Two years later, Mr Michael Heseltine, then Environment Secretary, set his priorities on capital investment, in partnership with the private sector. The first urban development corporations were set up in

London Docklands and Merseyside.

The inner city riots in 1981 prompted Mr Heseltine to cajole the leaders of the financial institutions into accompanying him on a tour of Merseyside, in a bid to get them to commit resources to the problem of deprivation. At the same time, he attempted, unsuccessfully, to win a big increase in public resources for the inner cities.

Meanwhile, in Glasgow, the programme to renew the east end of the city (GEAR - Glasgow Eastern Area Renewal) was well under way. Public finance, channelled through the Scottish Development Agency, and boosted by European Commission funds, launched the revival which spread to the city centre. Slowly, the city started to attract private sector investment. The changing of Glasgow has stimulated more interest than any other British city.

A similar revival is taking place in the former industrial cities around Britain. Restored Victorian grandeur, whether the GMX centre in Manchester, the theatre in Newcastle or

the opera house in Hull, is frequently the focal point for renewed interest in the city, followed by private sector investment in the surrounding area. Waterfront sites are playing a key role in attracting leisure, residential and retail developments.

Government policy, through the urban development corporations and the grant mechanism, is succeeding in attracting private sector investment in such projects. But the spread of economic growth to the regions in the past year is the most important factor spurring development. Demand for commercial and industrial space is increasing. Rents and capital values in and around city centres are going up.

Critics say the Government's policy is inadequate

The demand is mostly local, related to the expansion of smaller businesses and the growing financial services sector in cities like Manchester and Leeds. Meanwhile, city councils are bidding vigorously to attract the attention of government departments and companies which are contemplating moves out of London and the South-East.

A study into the competitiveness of different parts of the country demonstrated that the cost structure of combinations tends to be considerably higher than semi-rural areas, and that East Anglia and other parts of southern Britain have many locations which are more competitive than cities in the North.

The results highlight the huge task that lies ahead in built-up areas like the Black Country, and Tyneside, which have been afflicted by industrial closures, and where land is frequently contaminated by industrial waste.

Critics of the Government's

policy on the inner cities say that it is inadequate for the scale of problems, and that it is over concerned with property. They say that the biggest problem is social.

Inner cities have a much higher than average population which is dependent on the State, and a concentration of ethnic minorities. The problem is not confined to the industrial cities. Deprivation in inner London boroughs is particularly acute.

The problems of the inner cities, which include high rates of crime, poor housing and high unemployment, are being addressed by a number of Government measures. Ministers are also pushing the private sector into re-assuming responsibilities towards the community, in the hope that they will find a new breed of city fathers.

It is too early to say how successful they will be. Stirrings of interest are evident. Many companies have responded enthusiastically to the Compact idea, which links inner city schools with local companies.

But the fear in many deprived areas is that Government and private sector initiatives are not sufficiently effective to prevent a repeat of riots. It is against this background of conflicting symbols - city centre revival and the threat of social unrest - that the Conservative Party has pitched its campaign to win votes.

Manchester was singled out by party headquarters after the 1987 election as a political target. What happened in Bradford, where the Conservatives gained control of the local council last summer and have set out to change radically the direction of city-funded programmes, might be more significant.

"Geographical Variations in costs and productivity", Tyler, Moore and Rhodes, HMSO 1985.

Retail attracts the investors

THE GRANES are visible for all to see. Parts of the country resemble a gigantic construction site. All the appearances suggest that the property industry throughout the country is enjoying its best years of the decade.

But the reality is more complex. A healthy property industry is a sign of a growing economy and a contributor to that economy. Yet only in specific instances can it be argued that the industry is a motor of revival in the regions.

Certainly in the office and industrial sectors, property development and investment have tended to follow and exploit the economic growth which is already taking place. Developers need evidence of demand before they are prepared to take the financial commitment to new buildings. Investors want evidence if not of actual rental growth then at least of potential rental growth and the probability of higher capital values before they commit themselves to the market.

Such evidence became readily available after 1986, as the charts demonstrate, and has led to the recent surge of interest in the sector. What is less readily discernible now is the effect of higher interest rates on the relatively recent revival of the sector, both in terms of its own financing and in terms of the accommodation demands of its potential customers.

Different factors, however, have been at work in the retail property sector. Its sustained growth has taken place on the back of the steady rise in consumer spending and of the ready availability of credit. What has been surprising has been the duration of the growth. Partly, of course, this has followed the more stringent demands of consumers and has led not only to the provision of new shopping facilities but also to the refurbishment of existing ones.

But the growth in the retail property sector has fed on itself. The more that develop-

ers and investors put into the sector the more they encouraged further development and investment. The result has been that, while in the office and industrial sectors growth has been scattered and uneven, in the retail sector growth has been all over the country. Regional economic disparities have been ignored.

the other, the office and industrial sectors extend to finance. While there has never been any great difficulty in finding finance for retail developments UK-wide and no difficulty in finding institutional buyers for them when they have been completed, this has not been the case with the other sectors. London-based banks have

consistently felt more comfortable financing developments in the South-East, although this started to change a year ago. Only in recent months have the institutions been ready to invest in office and industrial property outside the London area, and hence to encourage developers in speculative ventures. But the scale of this greater diversity has yet to be

fully documented. Anecdotal evidence suggests that their interest in cities like Edinburgh, Glasgow, Manchester, Birmingham, Leeds and Bristol has helped to push up capital values.

While this may be good for property investors already committed, it does not necessarily help companies in the regions trying to hold down costs. How far this process will continue is difficult to establish. But it has become clear that some confidence has dripped away from the property sector.

The difficulties of the retail sector, added to uncertainty about the medium-term prospects for the City of London property market, have led many property analysts to sound a note of caution about the immediate growth prospects.

It is generally accepted that total returns of 30 per cent or more during 1988 are likely to decline in 1989, although returns are nonetheless expected to remain at a high level.

Paul Chesworth

The growth in the retail property sector has fed on itself. Thus, while in the office and industrial sectors expansion has been scattered, in the retail sector it has been nationwide. Regional economic disparities have been ignored

There is a further point. The feeling that retail investments are secure and that, whatever blips there might be in the economy, consumer spending is solidly underpinned has led to a pressure for retail development in both derelict urban areas and on sites outside the main cities.

Retail development has come to be seen as a factor both in the revival of drab inner cities and in rundown industrial areas outside.

The MetroCentre at Gateshead, Merry Hill at Dudley, The Forge at Parkhead, Glasgow and Albert Dock in Liverpool are examples of retail in this revival role. If the property industry is seen as a promoter of greater regional economic growth, it is in the retail sector.

To what extent this will continue is open to debate. Proposals for grandiose new shopping centres have been on the wane. The measures taken by Mr Nigel Lawson, the Chancellor of the Exchequer, to dampen consumer spending have put retailers under strain at a time when the cost of their earlier cheap space has started to put pressure on their margins. Their appetite for expansion may have been blunted.

But the different factors behind, on the one hand, the retail property sector, and on

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FINANCIAL SERVICES

Putting down provincial roots

FINANCIAL services industries, once the more or less exclusive preserve of London and the south-east, have begun to strike root in the newly prosperous provincial centres of the rest of the country.

There are four ways in which this is happening. Firstly, increasing prosperity is transforming the traditional professional groups, particularly accountants and solicitors. Secondly, the rise of new entrepreneurial groups and new firms is creating a demand for wider corporate banking services and international banking, such as documentary credit.

Thirdly, banks and insurance companies are moving their back office facilities to the provinces, thereby becoming important sources of employment locally. Finally Big Bang has given a fillip to regional stockbroking operations by creating a single electronic market which can be accessed from anywhere in the country.

Consider for instance, Manchester's Square Half Mile, the local name for its financial services community. It is home to ABN, a Dutch bank which routes much of its business through Manchester rather than London to cut costs, as well as to the first branch of N M Rothschild outside the capital - a branch now more than a quarter of a century old.

No fewer than 215 quoted companies have their headquarters in Manchester, and there are 53 international, merchant or foreign banks in the City.

Manchester however is not having things all its own way even in the North of England. Across the Pennines in Yorkshire a lively corporate and merchant banking market is developing in Leeds.

There are 150 quoted companies in Yorkshire with capital of £14m, says Mr Christopher Broadbent, managing director of BWD, a Hudders-

Service employment growth

Percentage increase in service sector employment, 1976-1986



field based stockbroking and investment group. "We can expect to see a good flow of new young companies in the next few years."

BWD, with a private client base of 35,000, is a good example of the new style of regional financial services. A tie-up with the Bradford-based York-

shire Building Society announced in November last year, is the first step to opening financial advice services throughout the UK giving it access to around three quarters of a million people.

Similar changes are taking place in other regions. In East Anglia, the local Norwich &

Peterborough Building Society has become the first building society to acquire a stockbroker and is aggressively marketing a diversified range of financial services to its customers.

In the west, financial services firms are expanding fast around both Bristol and Cardiff, even though the strategies being adopted are somewhat different.

Bristol is now home to the headquarters of four of the top life assurance groups. Other financial services firms, such as Burns Anderson the insurance brokers, are also present.

A sizeable expansion of services is taking place around College Green and Broad Quay. Some believe that it will be Britain's third financial community within a relatively short time.

Bristol is also home to some of the administrative operations of the large clearers. It is to house part of the administrative HQ of Lloyds Bank with 1,400 staff. National Westminster already has more than 5,000 staff there.

All of the big eight accountancy houses are now represented and Bristol is beginning to think of itself as one of the country's top financial services centres. On the corporate side this is still not the case - there is no merchant banking facility yet, for example, but it is undoubtedly strong on professional and retail services.

Wales presents a different picture of growth and one which has come into being only in the last five years. Cardiff is justly proud that N M Rothschild have selected the city for its second branch in the UK outside London after Manchester.

TSB has chosen Newport for one of its fastest growing divisions and expects to employ some 2,000 there people in the next few years.

Developments here reflect a turnaround in the local economy. The growth of financial services has also been fostered by the South East Wales Financial Services Initiative which has been very successful in wooing outside companies and persuading them to set up in the region.

Chemical Bank of the US is proposing to double the number of people working in its operation in the Welsh capital to around 80. This does not take account of changes at what used to be called Chemical Bank Home Loans, its mortgage processing operation, now owned by BNP of France.

Other new arrivals are AA Services and the National Provident Institution. Further in the background is the regeneration of Cardiff Bay in a redevelopment which mirrors changes in the last five years in London's dockland.

David Berchard

Boom move northwards

Continued from page one

The Government, Mr Nicholas Ridley, Environment Secretary, says that it is not the Government's policy to discourage development and economic growth in the South-East. Lord Young has put it more forcibly in the intervention by his department supporting proposals for a new "village". There is the problem.

Other pressures are building up. If the Government succumbs to demands to ease traffic congestion in and around London, by sanctioning spending on roads which is additional to planned improvements, this is likely to be at the expense of communications elsewhere. The decision to

develop Stansted in preference to Manchester as "London's Third Airport" still ranks. Now the regions are worried that they will again lose out amid the growing clamour for investment in improved road and rail transport links in London and the South-East.

This question of a fair division of spending between regions is being posed to a government which has increasingly centralised decision-making. The Thatcher Government has been determined to reduce the influence of local government. Plans are being drawn up in Whitehall which are expected to reduce their role in economic development still further.

The Labour Party has begun discussing the introduction of regional assemblies to strengthen the economic and political clout of the English regions to tackle their problems, although vital questions, such as their legislative and taxation powers, have still to be clarified. Labour is beginning to see internally-generated growth as the key to promoting greater economic equality between Britain's regions.

Between now and the next general election, however, Mrs Thatcher will hope that her market-oriented policies will demonstrate such ideas to be unnecessary.

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